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ECONOMIC INDICATORS

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Hawaii's System of Excise Taxation

Once again, as Hawaii residents complete their Spring tax-return rituals, minds are turned toward how our hard earned tax dollars go to support our state and county governments. Justifiably so, since according to the Bureau of the Census, Hawaii residents pay the fourth highest taxes per capita to state and county government across the nation, while ranking ninth in terms of state and county expenditures per capita.

However, contrary to what most of us must feel every April, the largest revenue source to state government in Hawaii is not the individual or corporate-income tax, but rather the general-excise tax. In fiscal-year 1982, out of total state taxes of $1.1 billion, excise taxes came to $726 million, or 65 percent of total taxes. Individual-income taxes totalled $283 million or 25 percent, corporate-income taxes totalled $39 million or 4 percent, and other taxes came to $72 million or 6 percent of total state taxes. Hawaii's dependence on excise taxes is high even by national standards. Compared to other states, Hawaii is approximately 24 percent over the national mean in its dependence on excise taxes, 3 percent and 5 percent under the national mean in its use of individual and corporate taxes, and 16 percent under the national mean in the use of alternative revenue instruments.

Why is this so important to the average citizen? Principally, because the excise tax is levied on the production, distribution, and consumption of goods and services, and as such has profound implications for economic development. Furthermore, the excise-tax system in general, particularly as practiced in Hawaii, has come under severe criticism for its effects on business activity. Under this tax, a product is taxed repeatedly as it moves through the various stages of production and distribution. It also induces firms to combine stages of production in order to avoid taxes, thereby encouraging monopolization and reducing competition in the economy. While 45 other states across the country levy excise taxes on the retail sale of products, Hawaii is only one of five states that taxes wholesale transactions, and the **only** state that also taxes the production and manufacturing of products.

According to a 1968 study by Arthur D. Little, Inc., the Hawaii general-excise tax system is so comprehensive that it tends to pyramid in the production and distribution process thereby increasing prices to final consumers. The study concluded that the general-excise tax: (1) distributes tax liabilities and burdens indiscriminately and capriciously; (2) bears little relationship to the income creating potential of businesses; and (3) presents a de facto investment tax on both new and expanding firms.

Furthermore, evidence suggests that, with the growth in tourism over the years, the economy has shifted toward a more consumer-based and service-oriented economy, and away from the more agriculturally-based economy of the past. There has also been a noticeable shift toward smaller employing units. By the 1980s, Hawaii had evolved from a semi-monopolistic structure of large agricultural corporations into a highly competitive small-business entrepreneurial economy. These changes have radically shifted the economic base upon which the excise tax had formerly been levied. Several implications follow.

First, in a trade and service-dominated economy the number of stages of production are fewer than they were in the pineapple and sugar industries of a generation ago. Thus, while some pyramiding does exist, it will be lower than it was in the past, and will tend to affect the distribution of goods and services rather than their production. Second, in a more competitive environment composed of many small businesses, the excise tax will tend not to be passed on to consumers as they would in a more monopolistic setting, but rather absorbed by producers in the form of higher costs and lower profits. The tax actually becomes more of a producer rather than consumer tax. If demand for a particular commodity is sensitive to changes in price, then tax costs can become an important factor in firm failures and bankruptcies. Third, in the past, the sugar and pineapple industries could export their taxes with their products. However, because service and retail industries, with the exception of tourist-related services, serve local consumers primarily, excise taxes are not exported out of state, and are borne by Hawaii residents. Taxing newer export industries like diversified agriculture and high-tech industries is also difficult because of their relatively weak market positions. The fact that Hawaii suffers from a trade deficit, estimated to be 36 percent of Gross State Product (GSP), or $4.1 billion, in 1980, also suggests that Hawaii residents may already be paying considerable taxes of other states and countries.

Thus, while in the past, the pineapple and sugar industries may have carried a heavier excise-tax burden, they were largely able to pass on and export those taxes. Current conditions suggest that excise taxes, while affecting distribution more than production, are more often absorbed by local firms and, if passed on, tend to fall on Hawaii residents.

These conditions suggest a number of alternatives. One suggested in the A. D. Little study called for retaining the general-excise tax, while relieving firms of having to pay the 4 percent "retail" rate on interindustry purchases. Similar suggestions have included a value-added tax or a retail-sales tax, as well as adjusting relative tax burdens for growing industries such as diversified agriculture or high-tech manufacturing.

Another alternative might entail tax exportation where taxes are levied on profits exported out of state. For example, out-of-state corporate revenues, came to roughly $3.4 billion or 32 percent of total GSP in 1979, while out-of-state corporate taxes came to roughly 1 percent of total Hawaii tax revenues.

Consideration could also be given to expansion of nontax revenue instruments such as user fees, special assessments, and other mechanisms including educational revenues, use of state natural resources and public facilities. Many of these issues are now under review by the Tax Review Commission, which will release its final report in December of 1984.

Since the days of Hawaii's large agricultural corporations, the economy has evolved into a competitive, service and consumer-oriented economy comprised essentially of small businesses, as well as a large presence of out-of-state capital. While the general-excise tax system may have been appropriate then, the question remains as to whether it continues to remain in step with currently prevailing economic conditions.

FIRST HAWAIIAN BANK
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u. s. economic indicators

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
GENERAL BUSINESS INDICATORS					
COMPOSITE INDEX OF LEADING INDICATORS*	1967 = 100	February	165.9	0.7	12.6
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	1st Qtr.	3,534.9p	2.9	11.5
In 1972 Dollars	bil. $	1st Qtr.	1,600.1p	1.8	7.4
PERSONAL INCOME**	bil. $	February	2,922.6p	0.7	10.3
RETAIL SALES*	mil. $	February	106,173p	−0.1	15.1
BANKING AND CREDIT					
DEBITS TO DEMAND DEPOSITS**	bil. $	January	69,002.2	2.8	21.1
BANK LOANS*	bil. $	January	1,142.2p	0.9	9.3
AVERAGE PRIME RATE CHARGED BY BANKS	percent	March	11.21	1.9	6.8
CONSUMER INSTALLMENT DEBT*	mil. $	January	385,847	1.1	12.8
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	January	281.8p	1.4	13.7
CONSTRUCTION COST INDEXES					
Residences	1967 = 100	January	352.2	2.4'	6.2
Apts. Hotel, Office Bldgs.	1967 = 100	January	356.3	1.0'	5.9
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	February	103,892	0.7	4.8
UNEMPLOYMENT*	thous.	February	8,801	−2.4	−23.6
UNEMPLOYMENT RATE*	percent	February	7.8	−2.5	−25.0
PRICES					
CONSUMER PRICE INDEX (All Items)					
Urban Wage Earners and Clerical Workers (Revised)	1967 = 100	February	303.3	0.2	3.8
All Urban Consumers	1967 = 100	February	306.6	0.5	4.6
PRODUCER PRICE INDEXES					
Finished Goods*	1967 = 100	February	290.2	0.4	2.3
All Commodities	1967 = 100	February	308.8	0.2	2.6

p = preliminary.
'Compared to November, 1983.
*Seasonally adjusted
**Seasonally adjusted at annual rates.

Sources:
General Business Indicators–U.S. Department of Commerce.
Banking and Credit–Board of Governors of the Federal Reserve System.
Construction–U.S. Department of Commerce, The American Appraisal Company.
Employment and Prices–U.S. Department of Labor, Bureau of Labor Statistics.

business activity in hawaii

TOURISM					
OVERNIGHT OR LONGER VISITORS	number	January	379,683	−3.3	16.7
	number	.....	.....	.....	.....
Westbound	number	January	287,320	−4.7	13.8
	number	.....	.....	.....	.....
Eastbound	number	January	92,363	1.4	26.3
	number	.....	.....	.....	.....
AVERAGE DAILY VISITOR CENSUS	number	.....	n.a.	.....	.....
AVERAGE LENGTH OF STAY	no. of days	.....	n.a.	.....	.....
MEETINGS ATTENDANCE	number	January	23,681	320.8	−8.6
ORGANIZED GROUP TOURS	number	January	66,192	26.4	9.7
NEIGHBOR ISLAND VISITORS'					
Maui	number	January	143,909	−3.3	14.4
	number	.....	.....	.....	.....
Hawaii	number	January	61,982	−1.2	0.4
	number	.....	.....	.....	.....
Kauai	number	January	56,892	0.6	29.3
	number	.....	.....	.....	.....
VISITOR ACCOMMODATIONS					
STATE	number	October	60,198	2.2	2.2
Oahu	number	October	35,761	4.0	3.3
Waikiki	number	October	31,846	5.7	5.8
Maui (includes 12 on Lanai)	number	October	11,960	−0.8	5.6
Molokai	number	October	626	−0.5	1.5
Hawaii	number	October	7,243	−1.7	1.7
Kauai	number	October	4,608	3.0	−12.3
HOTEL OCCUPANCY					
STATE	percent	February	89.25	19.2	9.6

p = preliminary.
'Estimated Westbound.

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CURRENT BUSINESS TRENDS

Recent data substantiate the growing momentum of Hawaii's economic recovery. Tourism showed strong upward trends, while construction reported healthy gains. Permit activity growth was substantial, suggesting future increases in both residential and nonresidential construction. Real estate activity was mixed, but generally positive. Business activity was up dramatically which, in turn, pushed up tax collections. Financial institutions enjoyed greater activity in terms of deposits and checking account usage, and employment statistics improved.

The tourist industry reported the best January ever with a record 379,683 overnight and longer visitors. This represented an impressive 16.7 percent improvement over the previous January.

Westbound arrivals were up 13.8 percent over-the-year, from 252,267 in January 1983 to 287,320 this year. Increases were seen in all of the major market segments: Mainland visitors grew by 12.1 percent; European travelers rose by 11.6 percent; and the Canadian market showed a 25.5 percent advance. The Hawaii Visitors Bureau attributed the improved Canadian visitor count to a combination of increased promotional efforts, and a less favorable exchange rate in Mexico, a major competing tourist destination.

Eastbound traffic also showed substantial gains. The number of visitors from Asia and Oceania grew by 26.3 percent between January of 1983 and 1984 from 73,118 to 92,363.

Neighbor Island visitor counts also improved; Maui's increased by 14.4 percent, and the Big Island's edged up by 0.4 percent. Kauai showed the largest gain with a 29.3 percent rise; although the previous year's figures were exceptionally low due to the effects of Hurricane Iwa and related publicity.

During February, hotels reported an impressive 89 percent occupancy rate, the highest rate for the month in five years. This represented a dramatic 19.2 percent gain when compared to January 1984, and 9.6 percent growth when compared to February of the previous year. All of the islands experienced fewer empty hotel rooms. Oahu and Maui were the busiest with 95 percent and 92 percent occupancy respectively. Hawaii and Kauai, while experiencing lower rates of 72 percent and 74 percent, respectively, showed strong improvements when compared to the previous month and the previous year.

In the agricultural areas, sugar was the only commodity to show a decrease. Year-

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
HOTEL OCCUPANCY (continued)					
Oahu	percent	February	94.61	11.9	8.5
Maui	percent	February	91.93	19.2	3.7
Hawaii	percent	February	72.35	41.1	25.9
Kauai	percent	February	74.50	52.7	17.6
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS, TOTAL	mil. $	4th Qtr.	474.0p*	−0.3	5.6
Military Payroll	mil. $	4th Qtr.	202.1p*	−2.6	9.9
Civilian Payroll	mil. $	4th Qtr.	153.7p*	7.4	5.5
Local Purchases	mil. $	4th Qtr.	118.1p*	−5.5	−0.3
SUGAR					
SUGAR PRODUCTION	thous. tons	Jan.-Feb.	46	.....	−26.0
N.Y. RAW SUGAR PRICE	$/ton	February	438.01	1.8	0.6
PINEAPPLE SHIPMENTS					
CANNED	mil. $	January	31	.....	172.4
FRESH	thous. lbs.	Jan.-March	60,791	.....	6.3
DIVERSIFIED AGRICULTURE					
CROPS					
Flowers & Nursery Products[1]					
(wholesale)	thous. $	1982	30,559	.....	3.7
Anthurium (cut) exports	th. dozens	Jan.-Feb.	269.0	.....	6.2
Potted Foliage[2]	thous. $	1982	8,820	.....	21.4
Other[3]	thous. $	1982	16,106	.....	−4.8
Fruits & Nuts	thous. $	1982	41,982	.....	0.0
Papaya Sales	th. lbs.	Jan.-Feb.	9,360	.....	46.6
Average Farm Price	cents/lb.	February	22.0	10.0	−29.7
Macadamia Nut Sales (in shell)	th. lbs.	1983	38,160	.....	3.9
Average Farm Price	cents/lb.	1983	68.0	.....	−8.0
Other[4]	thous. $	1982	3,362	.....	8.4
Vegetable and Melon Production	th. lbs.	Jan.-Feb.	10,544	.....	11.4
Other Crop Sales	thous. $	1982	8,453	.....	−23.0
LIVESTOCK					
Beef Production (dressed wt.)	th. lbs.	Jan.-Feb.	5,413	.....	7.3
Average Farm Price (feedlot beef)	cents/lb.	February	100.0	1.0	2.6
Hog Production (dressed wt.)	th. lbs.	Jan.-Feb.	946	.....	−2.8
Average Farm Price	cents/lb.	February	105.0	4.0	4.0
Milk Production	mil. lbs.	Jan.-Feb.	25.1	.....	6.4
Average Price Sold to Plants	$/100 lbs.	February	20.78	−0.2	0.1
Egg Production	mil.	Jan.-Feb.	33.8	.....	10.1
Average Farm Price	cents/doz.	February	90.5	3.4	4.6
Other Livestock Sales[5]	thous. $	1982	5,814	.....	−1.3
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE	mil. $	January	114.2	.....	17.3
PRIVATE PERMITS AUTHORIZED					
RESIDENTIAL					
STATE	thous. $	Jan.-Feb.	61,679	.....	56.7
C&C of Honolulu	thous. $	Jan.-Feb.	37,368	.....	64.5
Maui County	thous. $	Jan.-Feb.	8,176	.....	71.2
Hawaii County	thous. $	Jan.-Feb.	9,342	.....	50.3
Kauai County	thous. $	Jan.-Feb.	6,793	.....	20.2
SINGLE FAMILY UNITS					
STATE	number	Jan.-Feb.	762	.....	41.3
C&C of Honolulu	number	Jan.-Feb.	450	.....	52.2
Maui County	number	Jan.-Feb.	115	.....	40.2
Hawaii County	number	Jan.-Feb.	147	.....	10.5
Kauai County	number	Jan.-Feb.	50	.....	78.6
MULTIPLE FAMILY UNITS					
STATE	number	Jan.-Feb.	22	.....	83.3
C&C of Honolulu	number	Jan.-Feb.	12	.....	20.0
Maui County	number	Jan.-Feb.	0	.....	0.0
Hawaii County	number	Jan.-Feb.	10	.....	400.0
Kauai County	number	Jan.-Feb.	0	.....	0.0
NONRESIDENTIAL					
STATE	thous. $	Jan.-Feb.	43,993	.....	99.6
C&C of Honolulu	thous. $	Jan.-Feb.	27,565	.....	90.6
Maui County	thous. $	Jan.-Feb.	4,598	.....	109.6
Hawaii County	thous. $	Jan.-Feb.	9,565	.....	393.2
Kauai County	thous. $	Jan.-Feb.	2,266	.....	−34.3
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS	thous. $	Jan.-March	43,880	.....	−56.0

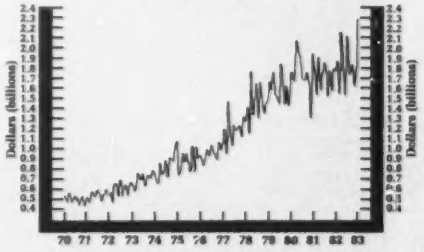
p = preliminary.
*Coast Guard figures not included.
[1]Gross taxable income valued at time of shipment.
[2]Potted foliage grown for indoor or patio use.
[3]Includes cut flowers, cut orchids, lei flowers, cut foliage, other potted plants, unfinished flower and foliage stock, and other nursery products.
[4]Includes avocadoes, bananas, guavas, oranges, passion fruit, and tangerines.
[5]Includes snap beans, cabbage, celery, sweet corn, cucumbers, lettuce, onions, green peppers, tomatoes, and watermelons.
[6]Includes coffee, taro, feed and forage crops, and forest products.
[7]Includes broilers and chickens, turkeys, sheep, wool, horses, honey, and beeswax.

to-date sugar production lagged behind 1983 by 26.0 percent. Both fresh and canned pineapple reported over-the-year growth. Anthuriums, papayas, and vegetables and melons all showed healthy improvements compared to 1983.

Approximately $114 million worth of construction was put in place in January, a 17.3 percent gain over the previous year. Permit authorizations also showed substantial increases, indicating further upturns for construction activity in the near future. The dollar value of both residential and nonresidential authorizations improved when compared to the previous year; residential permits were up by 56.7 percent, and nonresidential permits almost doubled with a 99.6 percent gain. Government projects were the only dark cloud in the otherwise bright picture. Public contracts reported a 64.9 percent drop for the first quarter of 1984 compared to the same period in 1983. On the other hand, the real estate sector was relatively active. The sale and resale of single-family homes showed increases in all counties, while condominium sales increased only on Oahu and Kauai. Unfortunately the recent rise in the prime interest rate will eventually be reflected in increased mortgage rates and overall tightening in the real estate market.

January's business indicators were also up dramatically. Gross business receipts were 30.2 percent ahead of last year, setting a record monthly high of $2.3 billion (see Figure 1). The expansion was wide-based, as all sectors reported a sharp upturn in activity. Diversified agriculture was the front-runner with 61.9 percent growth. Gross revenues in this sector reached a record high of $23.9 million for the month of January. Diversified manufacturing, wholesaling, and services all reported over-the-year expansions in the 30-40 percent range. Retailing also posted a strong 19.5 percent gain, reaching $839.9 million, a record high for monthly transactions.

FIGURE 1
GROSS BUSINESS RECEIPTS
STATE OF HAWAII
1970-1984



Source: Hawaii State Department of Taxation
Note: no monthly data was available for 1977

Consumers were also buying big ticket items. 3,446 new cars were sold in February, representing a 52.1 percent gain over the same period last year.

Inflation remained at a manageable level. The consumer price index for Honolulu for all urban consumers grew by 0.8 percent for the January-February period. Annualized to 4.8 percent, this indicates strong gains in real growth in the economy.

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC CONTRACTS AWARDED (cont'd)					
BY LEVEL OF GOVERNMENT					
FEDERAL	thous. $	Jan.-March	8,663	.....	−29.2
STATE	thous. $	Jan.-March	18,489	.....	−66.6
COUNTY	thous. $	Jan.-March	16,728	.....	−48.1
BY LOCATION OF PROJECT					
C&C of Honolulu	thous. $	Jan.-March	29,514	.....	−64.9
Maui County	thous. $	Jan.-March	2,717	.....	−39.0
Hawaii County	thous. $	Jan.-March	5,549	.....	−47.5
Kauai County	thous. $	Jan.-March	6,100	.....	362.1
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	March	348.0	1.6	7.4
HIGH-RISE	1967 = 100	March	367.4	1.7	5.4
REAL ESTATE					
OAHU New Sales					
Single Family	number	Jan.-Feb.	435	.....	271.8
Condominium	number	Jan.-Feb.	381	.....	−50.4
Resales					
Single Family	number	Jan.-Feb.	150	.....	2.7
Average Price	dollars	Jan.-Feb.	214,627	.....	0.6
Condominium	number	Jan.-Feb.	205	.....	1.5
Average Price	dollars	Jan.-Feb.	106,474	.....	1.1
MAUI Resales					
Single Family	number	Jan.-Feb.	24	.....	20.0
Average Price	dollars	Jan.-Feb.	131,833	.....	−24.6
Condominium	number	Jan.-Feb.	48	.....	−18.6
Average Price	dollars	Jan.-Feb.	137,617	.....	−15.7
HAWAII Resales					
Single Family	number	Jan.-Feb.	43	.....	2.4
Average Price	dollars	Jan.-Feb.	83,104	.....	−16.0
Condominium	number	Jan.-Feb.	12	.....	−20.0
Average Price	dollars	Jan.-Feb.	124,625	.....	22.0
KAUAI Resales					
Single Family	number	Jan.-Feb.	13	.....	85.7
Average Price	dollars	Jan.-Feb.	142,538	.....	4.1
Condominium	number	Jan.-Feb.	4	.....	33.3
Average Price	dollars	Jan.-Feb.	105,850	.....	−28.4
BUSINESS SALES					
GROSS BUSINESS RECEIPTS	mil. $	January	2,304	.....	30.2
DIVERSIFIED MANUFACTURING	mil. $	January	51	.....	33.4
DIVERSIFIED AGRICULTURE	mil. $	January	24	.....	61.9
RETAILING	mil. $	January	840	.....	19.5
WHOLESALING	mil. $	January	627	.....	38.3
SERVICES	mil. $	January	481	.....	39.2
OAHU NEW CAR SALES	number	February	3,146	−2.3	52.1
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	February	549.6	−6.9	6.7
GAS SALES	th. therms.	February	4,153.9	2.3	−6.2
TELEPHONE LINES IN SERVICE	thous.	February	464.4	0.4	3.5
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX					
Urban Wage Earners and Clerical Workers (Revised), All Items	1967 = 100	February	284.3	−1.4*	3.5
All Urban Consumers, All Items	1967 = 100	February	280.7	0.8*	3.8

*Compared to December 1983.

Sources:
Tourism—Hawaii Visitors Bureau, Fannell, Kerr, Forster.
Defense—Reports from various branches of the armed forces.
Sugar—Hawaiian Sugar Planters' Association.
Pineapple—Hawaii State Department of Taxation, Hawaii State Department of Agriculture.
Diversified Agriculture—Hawaii State Department of Agriculture.
Construction—Hawaii State Department of Taxation, Honolulu County Building Department, Hawaii, Kauai, and Maui County departments of public works.
Real Estate—Monitor Hawaii, Inc., Locations Inc., First Hawaiian Bank, Research Department.
Business Sales—Hawaii State Department of Taxation, Cardinal Mailing Services, Ltd.
Public Utilities—Hawaiian Electric Company, Inc., Citizens Utilities Company, Molokai Electric Co., Ltd., Gasco, Inc., Hawaiian Telephone Company.
Honolulu Prices—U.S. Department of Labor, Bureau of Labor Statistics.

Employment figures also improved for the third month in a row. Edging downward from 5.7 to 5.6 percent, February's jobless rate fell to the lowest level since December, 1981. Over-the-year, the unemployment rate decreased by a full percentage point.

Over-the-month, the number of jobs in the state showed the usual seasonal gain. February's job count rose to 445,500 from January's 441,500, a 0.9 percent gain. However, the majority of these jobs were temporary. Of the total 4,050 new jobs, more than half were in state government. The convening of the state legislature and the beginning of the new school year at the University of Hawaii and the Department of Education contributed to temporary increases in government payrolls. The service sector also made short-term gains, largely due to tax preparation firms hiring additional staff as they geared up for tax deadlines. Retail trade also increased its job count, as restaurants, department stores, and supermarkets added employees following the post-holiday slump in January.

One of the most significant gains was the 300 job gain seen in the transportation sector. After generally inching downward for a couple of years, transportation jobs jumped by 1.4 percent between January and February. Hawaiian Airlines' expansion of service to the Mainland and a rise in visitors played an important role in the increase.

On the negative side, manufacturing jobs dropped by 0.6 percent largely due to a reduction in the work force at the Dillingham shipyard caused by recent reductions in naval contracts for ship repairs in Hawaii, and the loss of naval vessels previously stationed at Pearl Harbor to home ports on the West Coast. Construction also suffered another small loss over-the-month of 0.3 percent.

As would be expected in view of the overall improved job situation, the unemployment insurance statistics dropped both over-the-month and over-the-year. The number of claims and the amount paid all fell substantially.

Commercial banks experienced sizable gains during the month of February. Total deposits were up 11.1 percent compared to the previous year, going from $5.4 billion to $6.0 billion. Debits to demand deposits, the dollar volume of checks written, increased by 24.9 percent over-the-year, from $7.1 billion to $8.9 billion, indicating a strong growth in spending activity.

Finally, state tax collection for the first two months of the year were up 11.7 percent over the same period in 1983. Revenues grew from $209.1 million to $233.6 million. This was to be expected in view of the marked growth in business activity.

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population and personal income in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
POPULATION					
DE FACTO—STATE	thous	July 1, 1983	1,119	.....	2.9
TOTAL RESIDENT—STATE	thous	July 1, 1983	1,023	.....	2.7
C&C of Honolulu	thous.	July 1, 1983	n.a.	.....	.....
Maui County	thous.	July 1, 1983	n.a.	.....	.....
Hawaii County	thous.	July 1, 1983	n.a.	.....	.....
Kauai County	thous.	July 1, 1983	n.a.	.....	.....
CIVILIAN RESIDENT—STATE	thous.	July 1, 1983	964	.....	2.4
MILITARY PERSONNEL—STATE	number	July 1, 1983	59,021	.....	−3.4
Ashore	number	July 1, 1983	53,755	.....	−0.8
Afloat	number	July 1, 1983	5,266	.....	−23.9
CIVILIAN DEPENDENTS OF MILITARY	number	July 1, 1983	66,252	.....	−0.7
FOREIGN IMMIGRATION[1]	number	12 mo. total for period ending 2/84	5,378	.....	−12.0
PERSONAL INCOME					
TOTAL PERSONAL INCOME[2]	mil. $	3rd Qtr.	12,391	1.2	5.6
Employment Income[3]	mil. $	3rd Qtr.	9,146	0.8	5.9
Manufacturing	mil. $	3rd Qtr.	431	0.5	−0.5
Construction & Mining[4]	mil. $	3rd Qtr.	513	0.4	6.9
Wholesale	mil. $	3rd Qtr.	406	2.5	8.3
Retail	mil. $	3rd Qtr.	1,064	2.1	8.8
Finance, Ins. & Real Estate	mil. $	3rd Qtr.	636	0.5	14.2
Trans., Comm., & Util.	mil. $	3rd Qtr.	815	1.4	2.5
Services	mil. $	3rd Qtr.	1,954	2.5	7.4
Farm & Other	mil. $	3rd Qtr.	315	1.3	9.0
Federal Civilian	mil. $	3rd Qtr.	863	0.1	6.7
Federal Military	mil. $	3rd Qtr.	1,051	−3.1	0.2
State & Local	mil. $	3rd Qtr.	1,098	0.6	4.4
Property Income (Dividends, Interest, Rent)	mil. $	3rd Qtr.	2,182	3.0	3.0
Transfer Payments (1,642) minus Personal Contributions for Social Ins. (579)	mil. $	3rd Qtr.	1,063	0.1	7.9
PER CAPITA PERSONAL INCOME					
STATE PER CAPITA	dollars	1982	11,602	.....	5.2
PER CAPITA BY COUNTY:					
C&C of Honolulu	dollars	1981	11,553	.....	9.0
Maui County	dollars	1981	9,702	.....	7.2
Hawaii County	dollars	1981	8,728	.....	5.0
Kauai County	dollars	1981	9,132	.....	7.2

p = preliminary

**Total personal income and all components are seasonally adjusted at annual rates.

[1]These immigration statistics include only those entering Honolulu ports and do not include status changes.

[2]Includes wage and salary disbursements, proprietors' income, and other labor income.

[3]Income from mining not shown separately to avoid disclosure of confidential information.

Sources:

Population—Hawaii State Department of Planning and Economic Development, U.S. Bureau of the Census, U.S. Immigration and Naturalization Service.

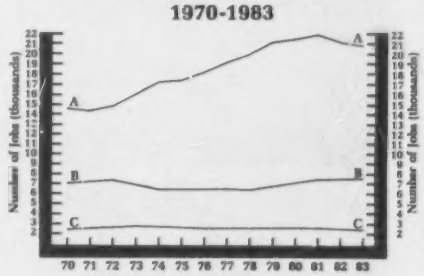
Personal Income—U.S. Department of Commerce, Bureau of Economic Analysis.

TRANSPORTATION, COMMUNICATION AND UTILITIES

The transportation, communication and utilities sector is unique in that the individual industries are strictly regulated by commissions or other public authorities that determine what prices they may charge and what services they may render.

However, in spite of industry regulation, employment trends varied dramatically among the three industries (see Figure 2). Transportation jobs were among the fastest growing sectors of the state's economy, rising from 14,600 in 1970 to 20,800 in 1983. This represented a 42.5 percent jump, well ahead of the total job count growth in Hawaii of 34.2 percent. On the other hand, communication jobs increased by a very modest 7.1 percent between 1970 and 1983, rising from 7,000 to 7,500 jobs. The utility sector reported no net job growth over the same period, the annual job count remaining at 2,450 for both 1970 and 1983.

FIGURE 2
TRANSPORTATION, COMMUNICATION, AND UTILITY EMPLOYMENT STATE OF HAWAII 1970-1983



A. Transportation employment
B. Communication employment
C. Utility employment
Source: State Department of Labor and Industrial Relations

TRANSPORTATION

The transportation sector grew substantially between 1970 and 1980 in response to increased demands created by a growing visitor and resident population. However, slight decreases were seen since 1980 as the economic downturn weakened overall demand for transportation services.

Most of Hawaii's consumer goods are imported from outside of the state, almost all of which is by sea transportation. Cargo tonnage rose 25.8 percent between 1970 and 1980, but dropped by 0.4 percent between 1980 and 1982 due to the economic recession.

Land transportation services include the

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employment and unemployment in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
EMPLOYMENT IN STATE AND COUNTIES (number of persons)					
STATE					
Civilian Labor Force	thous.	February	473.6p	0.9	0.6
Employment	thous.	February	447.1p	1.1	1.7
Unemployment	thous.	February	26.5p	−1.3	−15.1
Unemployment Rate	percent	February	5.6p	−1.8	−15.2
C & C OF HONOLULU					
Civilian Labor Force	thous.	February	362.3p	1.0	0.9
Employment	thous.	February	344.8p	1.3	2.0
Unemployment	thous.	February	17.5p	−3.0	−17.4
Unemployment Rate	percent	February	4.8p	−5.9	−18.6
MAUI COUNTY					
Civilian Labor Force	thous.	February	43.1p	0.5	−0.9
Employment	thous.	February	39.9p	0.1	0.5
Unemployment	thous.	February	3.2p	8.5	−13.5
Unemployment Rate[1]	percent	February	7.4p	7.2	−14.0
HAWAII COUNTY					
Civilian Labor Force	thous.	February	46.4p	1.3	0.1
Employment	thous.	February	42.2p	0.8	1.0
Unemployment	thous.	February	4.1p	7.8	−8.8
Unemployment Rate	percent	February	8.9p	4.7	−9.2
KAUAI COUNTY					
Civilian Labor Force	thous.	February	21.8p	−0.5	−0.5
Employment	thous.	February	20.2p	0.5	−0.2
Unemployment	thous.	February	1.6p	−13.5	−3.0
Unemployment Rate	percent	February	7.4p	−12.9	−1.3
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	February	445.6p	0.9	0.3
SUGAR (mill and field)	thous.	February	8.2p	1.2	−3.6
PINEAPPLE (cannery and field)	thous.	February	3.6p	−1.4	−11.2
DIVERSIFIED MANUFACTURING (excluding sugar and pineapple)	thous.	February	16.0p	−0.6	0.0
Durable Goods	thous.	February	3.5p	−2.8	−6.7
Non-Durable Goods	thous.	February	12.4p	−0.8	1.6
Apparel and Textiles	thous.	February	2.9p	1.8	1.8
DIVERSIFIED AGRICULTURE (excluding sugar and pineapple but including agricultural self-employed)	thous.	February	7.4p	3.5	1.4
CONTRACT CONSTRUCTION	thous.	February	17.4p	−0.3	−3.9
TRANSPORTATION	thous.	February	21.0p	1.4	1.2
COMMUNICATION	thous.	February	7.4p	0.0	−2.0
UTILITIES	thous.	February	2.4p	0.0	−2.0
RETAIL TRADE	thous.	February	89.3p	1.0	2.9
WHOLESALE TRADE	thous.	February	18.0p	−0.3	−1.4
FINANCE, INSURANCE AND REAL ESTATE	thous.	February	31.2p	0.2	−1.6
HOTEL SERVICES—STATE	thous.	February	27.4p	−0.9	2.4
Honolulu County	thous.	February	15.4p	−0.3	4.4
Maui County	thous.	February	6.2p	−2.4	−3.1
Hawaii County	thous.	February	3.5p	−1.4	−4.1
Kauai County	thous.	February	2.2p	−4.3	12.5
OTHER SERVICES	thous.	February	78.0p	1.1	0.2
FEDERAL GOVERNMENT	thous.	February	31.6p	−0.3	−1.7
Civilian Agencies	thous.	February	11.1p	−0.4	−0.9
Defense Department	thous.	February	20.6p	0.2	−1.9
STATE GOVERNMENT	thous.	February	47.7p	5.0	0.4
COUNTY GOVERNMENT	thous.	February	12.6p	0.4	1.2
UNEMPLOYMENT INSURANCE CLAIMS AND PAYMENTS					
INSURED UNEMPLOYMENT (weekly average)	number	February	12,795	−7.1	−22.1
INTRASTATE INITIAL CLAIMS	number	February	5,534	−26.9	−9.7
INTERSTATE INITIAL CLAIMS	number	February	323	−22.7	−24.0
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	February	5,788	−14.8	−21.4

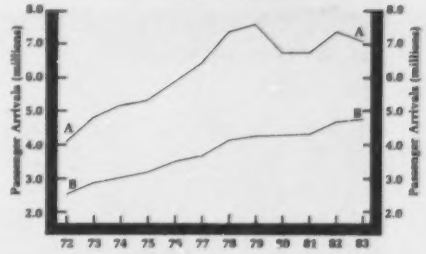
p = preliminary.

Sources:
Employment, Job Count, and Unemployment Insurance—Hawaii State Department of Labor and Industrial Relations.

municipal bus system, private tour buses and limousines, ambulances, and commercial trucking. The growing cost of operating and maintaining cars, increasing fuel costs, more tourists, and a growing population all contributed to large increases in the public transit system. Bus mileage expanded dramatically from 4.6 million miles in 1970 to 16.6 million miles in 1980, but remained relatively constant between 1980 and 1982. The number of passengers more than doubled between 1970 and 1980 going from 30.4 million to 71.6 million, and has continued to grow since then. In 1982 a total of 74.1 million passengers used the public bus system.

Air transportation showed divergent trends in 1983. Transpacific arrivals improved by 1.9 percent, rising to a record high of 4.8 million passengers (see Figure 3). Decreased air fares coupled with an improved economy stimulated tourism in 1982, although fares were rising in 1983. On the other hand, interisland passenger arrivals dropped by 4.0 percent due to the use of direct flights from the Mainland to the Neighbor Islands. The increased competition led to discounted fares in 1983. While this was a boon to interisland travelers, it created problems for both Hawaiian and Aloha Airlines. With higher overheads than the low-cost Mid Pacific Air, they have had to lay off employees.

FIGURE 3
AIR PASSENGER ARRIVALS
STATE OF HAWAII
1972-1983



A. Inter-island arrivals
B. Transpacific arrivals
Source: State Department of Transportation

COMMUNICATIONS

Jobs in the communications sector remained relatively stable over the years. Expansion in services, necessitated by a growing population, was achieved through technological advancement rather than increased employment. Commercial and noncommercial television and radio stations grew from 42 in 1973 to a high of 58 in 1982, but then dropped to 54 in 1983. Cable television remained stable at 10 companies.

Telephones in service showed strong growth as businesses and the population expanded over the years (see Figure 4). The number of telephones rose from 445,995 in 1971 to 728,352 in 1981. (Hawaiian Telephone suspended this statistical series in 1982, replacing it by telephone access lines. Access lines represent the lines connecting customers to the network regardless of ownership of the customer's equipment.) Access lines continued to exhibit the same upward

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public assistance in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
RECIPIENTS[1]					
Income Maintenance	no./persons	February	62,547	−0.6	−3.3
Services	no./cases	4th Qtr.	6,829	−4.0	8.2
Medical	no./patients	February	46,390	−1.4	−9.4
Food Stamps	no./persons	January	100,295	1.4	−2.5
PAYMENTS					
Income Maintenance	thous. $	February	8,680	−1.1	−4.5
Services	thous. $	4th Qtr.	3,633	6.4	−1.6
Medical	thous. $	February	11,878	−2.3	−5.8
Food Stamps	thous. $	January	6,717	−1.6	−1.8

[1]Count of recipients is duplicated. A person may be counted in each category.

Sources:
Public Assistance—Hawaii State Department of Social Services and Housing.

banking and finance in hawaii

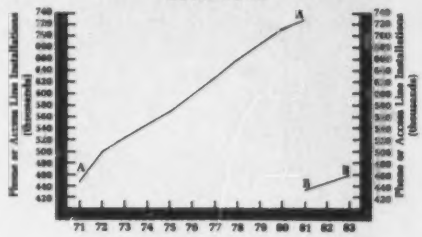
FINANCE					
COMMERCIAL BANKS					
Total Deposits					
STATE	mil. $	February	5,990	1.8	11.1
Honolulu County	mil. $	February	4,930	1.2	11.2
Maui County	mil. $	February	387	6.9	13.3
Hawaii County	mil. $	February	453	3.0	12.0
Kauai County	mil. $	February	221	4.0	4.9
Debits to Demand Deposits					
STATE	mil. $	February	8,912	20.5	24.9
Honolulu County	mil. $	February	8,327	22.8	26.8
Maui County	mil. $	February	244	−5.5	5.7
Hawaii County	mil. $	February	247	−6.1	5.6
Kauai County	mil. $	February	94	−3.0	−9.6
Loans Outstanding	mil. $	4th Qtr.	3,765	3.4	2.5
Real estate	mil. $	4th Qtr.	1,652	0.0	3.1
Consumer	mil. $	4th Qtr.	853	4.9	3.9
Commercial & Industrial	mil. $	4th Qtr.	1,152	9.9	7.2
Other	mil. $	4th Qtr.	108	−15.4	−38.8
SAVINGS & LOAN ASSOCIATIONS					
Total Deposits	mil. $	January	3,722	1.3	7.3
Loans	mil. $	January	33	−49.5	62.5
Residential	mil. $	January	11	−70.9	87.4
Other	mil. $	January	20	−1.7	49.4
STATE TAX COLLECTIONS[2]					
TAX COLLECTIONS—STATE	thous. $	Jan.-Feb.	233,623	.....	11.7
Honolulu County	thous. $	Jan.-Feb.	203,973	.....	12.3
Maui County	thous. $	Jan.-Feb.	12,392	.....	23.3
Hawaii County	thous. $	Jan.-Feb.	12,491	.....	6.3
Kauai County	thous. $	Jan.-Feb.	4,767	.....	1.9

[1]Includes data for both Hawaii and Guam.
[2]Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

Sources:
Finance—Hawaii State Department of Commerce and Consumer Affairs. Federal Deposit Insurance Corporation reports. Federal Home Loan Bank of Seattle.
State Tax Collections—Hawaii State Department of Taxation.

trend, growing by 2.9 percent between 1982 and 1983 from 445,452 to 458,339.

FIGURE 4
TELEPHONE INSTALLATIONS
STATE OF HAWAII
1971-1983



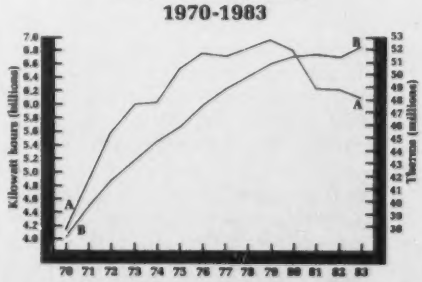
A. Phones installed
B. Access lines installed
Source: Hawaiian Telephone Co.

Recent Federal Communication Commission (FCC) rulings deregulating the industry have led to a proliferation of alternate long distance phone companies. RCA dramatically contributed to this by setting up its own $8 million earth station, thus ending Hawaiian Telephone's domination of the market. With its own satellite system it provided wholesale service to other companies like Sprint and MCI at rates 20-40 percent below Hawaiian Telephone Co.

UTILITIES

Like the communications sector, utility companies are capital-intensive rather than depending on labor for growing services. In spite of little job growth in the utilities between 1970 and 1983, gas and electricity sales showed strong gains until the oil crisis of 1979 (see Figure 5). The oil shortage led to rapid price increases leading to much higher gas and electricity bills. The implementation of both conservation and alternative energy systems by customers almost immediately reduced consumption. Gas consumption has continued to show annual declines, in part due to Pacific Resources, Inc. going into the alternative energy business. Electricity sales had three relatively flat years, but picked up in 1983, as the current world oil situation shifted to a surplus. The 1983 upturn was attributed to increased usage by the military, as well as warmer, drier weather.

FIGURE 5
GAS AND ELECTRICITY SALES
STATE OF HAWAII
1970-1983



A. Gas sales (right-hand scale)
B. Electricity generated (left-hand scale)
Source: Gasco, Inc.; Hawaiian Electric Co., Inc.; Molokai Electric Co., Ltd.; and Citizens Utilities Co.

ECONOMIC INDICATORS

A Bimonthly Report on Current Economic Conditions in Hawaii
by the Research Department, First Hawaiian Bank

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The State Functional Plans and Their Impact on Economic Development in Hawaii

One of the more significant actions of the recently adjourned state legislative session was the passage of ten of the twelve State Functional Plans. The State Functional Plans are the primary guideposts for implementing the Hawaii State Plan, and delineate specific objectives, policies, and actions designed to implement the more general directions established in the State Plan.

In total, there are twelve Functional Plans including: agriculture, conservation lands, education, energy, health, higher education, historic preservation, housing, recreation, transportation, and water resources development. Two plans, agriculture and education, remain under legislative consideration. While the Functional Plans are not statutory in nature, and do not legally mandate specific actions by state or county governments, they will undoubtedly exert a strong influence on resource allocation and decision making in the years to come. One important concern is their impact on economic development in Hawaii. While each plan will have some general effect on the economy, attention will be focussed on the Tourism and Agriculture Functional Plans as they most directly affect economic activity in Hawaii.

The goal of the State Tourism Functional Plan entails: "The achievement of a visitor industry that constitutes a major component of steady growth for Hawaii's economy." Major policy areas are: (1) tourism promotion; (2) physical development; (3) employment and career development; and (4) community relations.

The first area focusses on the growing importance of marketing and promotion for the tourist industry, and increased assistance in overseas promotion of Hawaii's vacation attractions.

The second entails the development of a well-designed and adequately serviced visitor industry reflecting the needs of Hawaii's people. Related policies include: (1) ensuring that tourist activities reflect the needs of Hawaii residents; (2) improving the quality of visitor destination areas; (3) encouraging greater public and private-sector cooperation in providing well-designed and serviced facilities; and (4) ensuring that facilities and destination areas are sensitive to existing communities.

The third area concerns tourist-related training programs to widen employment opportunities for Hawaii residents. Related policies include: (1) providing the greatest number of primary jobs and stable employment within the industry; and (2) providing training opportunities for upward mobility in the industry.

The fourth area emphasizes better relations between the visitor industry and the community. Specific policies include: (1) fostering a recognition of the contribution of tourism to Hawaii's economy, and the importance of the Aloha Spirit; and (2) enhancing visitor understanding of the unique character of Hawaii's culture and values.

The State Agriculture Plan identifies the major issues affecting Hawaiian agriculture, and resource requirements in seven areas: (1) government support; (2) land; (3) water; (4) capital; (5) labor; (6) transportation; and (7) energy research and development.

The first area entails the achievement of maximum public benefit from public agricultural assistance. Specific policies include: (1) supporting pest and disease control programs; (2) encouraging agricultural cooperatives; (3) utilizing agricultural industry analyses to guide agricultural assistance programs; and (4) setting priorities for agricultural assistance.

The second area involves the use of lands most suitable for agriculture. Policies include: (1) determining suitable locations for agriculture; (2) providing public lands at reasonable cost and tenure for agriculture; (3) continuing the statewide system of agricultural parks; (4) encouraging more productive use of lands; and (5) providing greater protection to agricultural lands according to the Hawaii State Constitution.

The third involves the provision of adequate water for agricultural use, and includes: (1) improved water resource management; and (2) expanding water resources statewide. The fourth calls for the provision of capital for agricultural development, and involves providing additional funds for agricultural and aquacultural loans. The fifth involves the supply of properly trained labor for agricultural needs through the evaluation and expansion of agricultural training at the secondary and post-secondary school levels. The sixth involves adequate, and reasonably priced air and surface transportation, as well as support facilities, to meet present and future agricultural needs. The seventh, energy research and development, involves the role of agriculture in the development of biomass energy as an alternative energy source.

These goals, and policies for tourism and agriculture indicate the directions toward which these industries can be expected to move in the future. More detailed analyses of each industry should include the specific actions designed to implement particular policies. As statements of intent, however, these documents will have a profound effect on the course of state and county policy decisions and resource allocation patterns in the future.

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ECONOMIC INDICATORS

Research Department, First Hawaiian Bank May/June 1984

Hawaii's Consumption and Income Patterns

Evidence indicates that Hawaii is one of the leading consumption states in the nation. Statistics from the Bureau of Labor Statistics (BLS) show that, as of 1981, an average intermediate-income family of four in Hawaii had the *highest* overall family budget in the nation. Hawaii families needed $31,893 or 26 percent more per year to live comfortably than the average U.S. urban family.

Why is living in Hawaii so expensive? While expenditures for transportation, clothing, medical, and personal expenditures were similar to national consumption trends, spending for food, housing, and taxes were far above the national average. These are discussed in more detail below.

Transportation expenses were only 2 percent above the national norm. This is due in part to the fact that high fuel costs are offset by lower operating costs due to the absence of winter weather. Clothing and personal care expenses, on the other hand, were 7 and 16 percent, respectively, above the national norm. While Hawaii residents buy less clothing, they pay substantially more for individual items. Medical expenses for Hawaii families were only 10 percent above the national norm due to the high proportion of doctors and dentists relative to the total resident population in Hawaii.

However, Hawaii families paid 37 percent more than Mainland families for food consumed at home. Housing costs in Hawaii were also high. House furnishings and operations cost 16 percent more than on the Mainland, reflecting the higher cost of imported household goods. Rental costs, which include contract rent plus fuel, utilities, and insurance, were 46 *percent* above the national norm. These figures are substantiated by 1980 U.S. Census data which rank Hawaii *second* in the nation in terms of median gross rental rates, and *third* nationwide in terms of the percentage of households in the rental market. Homeownership costs, including mortgage payments, taxes, insurance, fuel, utilities, and repair and maintenance costs, were also high in Hawaii, outranking Mainland cities by 12 percent. This is also corroborated by U.S. Census data which rank Hawaii *first* across the nation in terms of median value of owner occupied housing, *and* average property values. Both costs contribute to the fact that Hawaii residents paid the *second* highest rate of average mortgage payments across the country in 1980. The only factor offsetting high rental and ownership costs in Hawaii is the reduced need for climatic controls such as insulation and heating in winter and air conditioning in summer.

However, the heaviest contributor to the high cost of living in Hawaii was personal taxes. Hawaii households paid on average 62 *percent* more for taxes than families in Mainland cities; or more than in all other major cities nationwide. These figures are again corroborated by U.S. Census data which rank Hawaii fourth nationwide in 1981 in terms of state and local tax revenues per capita, and ninth nationwide in terms of state and local expenditures per capita. The general-excise tax is a major component of the heavy tax burden Hawaii residents bear.

Why are these costs so high? In general, the reasons fall into two categories: "economic" factors due to geographic conditions peculiar to Hawaii's location in the Pacific; and "institutional" factors due to the choices that we, as an electorate, make in the allocation of social and private resources. For example, Hawaii's isolation from overseas producers, dependence on overseas shipping, and resulting high import costs, as well as the need to maintain larger inventories of business inputs and consumer goods, conspire to drive the cost of living above Mainland norms. These costs, which affect most of Hawaii's basic consumption goods, are "economic" in that they reflect the realities of Hawaii's size and geographic location, which cannot be changed. On the other hand, lack of available land for housing, overly complex building permit procedures and code regulations reflect institutional factors that are more amenable to modification by legislative means. For example, government regulations can raise the cost of housing by as much as 25 percent. The same applies to the high cost and level of government services provided in Hawaii. That 57 percent of the total difference between the expenditures of Hawaiian and Mainland families was due to higher housing and tax costs means that over half of the higher costs of family consumption in Hawaii are attributable to institutional factors. In short, government policies and fiscal burden are among the main contributors to the financial squeeze being experienced by Hawaiian families.

How do Hawaii families manage such high costs of living? Simply put, families have to have more wage earners in the labor force. Even though BLS data show that Hawaii ranked 32nd in terms of average annual pay per worker in 1982, according to the 1980 Census, Hawaii ranked *second* nationally in terms of average household income. Hawaii has one of the highest rates of multi-wage earner families, 62 percent compared to 54 percent nationally. Hawaii also ranks fourth nationally in terms of women in the labor force, and 11th in terms of the overall labor force to population ratio. Hawaii also reported the second highest number of people per household, and the lowest ratio of single-person households across the country. The high cost of living appears to be making it necessary to share residences with family or friends.

The implications of these statistics are sobering. They boil down to the suggestion that the high costs of living in Hawaii might actually be causing serious distortions in the socio-economic structure of Hawaiian society by forcing more secondary wage earners into the labor force than might have been necessary if the costs of living were not so high. This contributes to more competition for fewer jobs, downward pressures on wages, tighter living conditions, and a perpetuation of the vicious cycle of decreasing per capita income in the face of increasing costs of living. At the very least, the statistics imply that Hawaii residents do not spend more because they earn more; to the contrary, Hawaii residents earn more because they are forced to spend more. In addition, while it is true that government expenditures do make a significant contribution to the quality of life, concern is justified over the way in which the costs of government have distorted household budgets in Hawaii, and the changes necessary to bring Hawaii expenditure patterns more in line with those experienced nationwide.

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u. s. economic indicators

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
GENERAL BUSINESS INDICATORS					
COMPOSITE INDEX OF LEADING INDICATORS*	1967 = 100	March	165.5	−1.1	9.9
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	1st Qtr.	3,541.2p	3.1	11.7
In 1972 Dollars	bil. $	1st Qtr.	1,604.3p	2.0	7.7
PERSONAL INCOME**	bil. $	March	2,940.5p	0.5	10.1
RETAIL SALES*	mil. $	March	103,400p	−2.2	10.2
BANKING AND CREDIT					
DEBITS TO DEMAND DEPOSITS**	bil. $	February	70,973.1	2.9	23.2
BANK LOANS*	bil. $	February	1,161.6p	1.7	10.8
AVERAGE PRIME RATE CHARGED BY BANKS	percent	April	11.93	6.4	13.6
CONSUMER INSTALLMENT DEBT*	mil. $	February	399,795	1.7	16.6
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	March	295.6p	1.2	22.2
CONSTRUCTION COST INDEXES					
Residences	1967 = 100	January	352.2	2.4'	6.2
Apts, Hotel, Office Bldgs	1967 = 100	January	356.3	1.0'	5.9
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	March	104,140	0.2	4.9
UNEMPLOYMENT*	thous.	March	8,772	−0.3	−23.2
UNEMPLOYMENT RATE*	percent	March	7.8	0.0	−24.3
PRICES					
CONSUMER PRICE INDEX (All Items)					
Urban Wage Earners and Clerical Workers (Revised)	1967 = 100	March	303.3	0.0	3.5
All Urban Consumers	1967 = 100	March	307.3	0.2	4.7
PRODUCER PRICE INDEXES					
Finished Goods*	1967 = 100	March	291.6	0.5	2.9
All Commodities	1967 = 100	March	311.1	1.0	3.5

p = preliminary.
'Compared to December, 1983.
*Seasonally adjusted.
**Seasonally adjusted at annual rates.

Sources:
General Business Indicators—U.S. Department of Commerce.
Banking and Credit—Board of Governors of the Federal Reserve System.
Construction—U.S. Department of Commerce, The American Appraisal Company.
Employment and Prices—U.S. Department of Labor, Bureau of Labor Statistics.

business activity in hawaii

TOURISM					
OVERNIGHT OR LONGER VISITORS	number	February	397,355	4.7	14.1
	number	Jan.-Feb.	777,040	.....	15.3
Westbound	number	February	314,095	9.3	14.3
	number	Jan.-Feb.	601,335	.....	14.1
Eastbound	number	February	83,260	−9.9	13.3
	number	Jan.-Feb.	175,625	.....	19.8
AVERAGE DAILY VISITOR CENSUS'	number	.....	n.a.	.....	.....
AVERAGE LENGTH OF STAY'	no. of days	.....	n.a.	.....	.....
MEETINGS ATTENDANCE	number	February	12,054	−49.1	34.9
ORGANIZED GROUP TOURS	number	February	73,910	11.7	24.9
NEIGHBOR ISLAND VISITORS'					
Maui	number	February	166,585	22.0	20.5
	number	Jan.-Feb.	303,085	.....	17.3
Hawaii	number	February	76,515	23.9	17.4
	number	Jan.-Feb.	138,285	.....	11.5
Kauai	number	February	71,135	24.0	38.4
	number	Jan.-Feb.	128,500	.....	37.6
VISITOR ACCOMMODATIONS					
STATE	number	October	60,198	2.2	2.2
Oahu	number	October	35,761	4.0	3.3
Waikiki	number	October	31,846	5.7	5.8
Maui (includes 12 on Lanai)	number	October	11,960	−0.8	5.6
Molokai	number	October	626	−0.5	1.5
Hawaii	number	October	7,243	−1.7	1.7
Kauai	number	October	4,608	3.0	−12.3
HOTEL OCCUPANCY					
STATE	percent	March	88.11	−1.3	9.9

n.a. = not available.
'Estimated Westbound.

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CURRENT BUSINESS TRENDS

Hawaii's economic recovery continued to show strength during the previous month. Most major indicators reported upward trends: tourism logged another good month, business transactions and tax collections remained strong, personal income showed a healthy gain, and labor force statistics improved.

The Hawaii Visitors Bureau recently released figures on February's visitor count. The data substantiated what the industry already knew: that February was a record-breaking month. A total of 397,355 visitors arrived in February, an impressive 14.1 percent gain over the previous year. This brought the cumulative total, for the first two months of the year, to 777,040, representing a 15.3 percent increase over the same period in 1983. Tourist traffic was such that at times during the month, some hotels were paying guests to leave. Cold weather seemed to be the motivating factor. Dramatic growth was reported in visitor counts from the New England states, the Mid-Atlantic states, and Canada.

Reflecting the strengthening of the visitor industry, hotel room occupancy rates improved by approximately 10 percent between March of 1983 and 1984, from 80.2 percent to 88.1 percent. Oahu and Maui, already with occupancy rates in the 90 percent bracket, showed proportionately less improvement of 6.1 and 3.1 percent, respectively. Hawaii and Kauai, however, showed dramatic growth. In March of 1983, hotels on these islands utilized only 50 to 60 percent of their rooms. During March of 1984, Kauai's rate improved by 35.6 percent, and Hawaii's grew by 32.4 percent. Kauai's low 1983 visitor statistics reflected the after-effects of Hurricane Iwa. On the Big Island, the bulk of the growth was on the Hilo side, where tourist arrivals increased to view the volcanic eruptions.

Sugar production started the year out slowly. However, the first quarter of 1984 came out 20.7 percent ahead of the same period of 1983. Given the fact that prices remained stable during the same period, the prospects look optimistic for sugar.

Pineapple also experienced strong growth. Canned pineapple production increased by 77.7 percent for the January-February period, while fresh pineapple shipments improved by 11.9 percent over the previous year.

Diversified agricultural products also saw significant increases. Anthurium outshipments reported a 7.7 percent gain be-

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
HOTEL OCCUPANCY (continued)					
Oahu	percent	March	93.15	−1.5	6.1
Maui	percent	March	90.84	−1.2	3.1
Hawaii	percent	March	68.06	−5.9	32.4
Kauai	percent	March	78.14	4.9	35.6
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	1st Qtr.	476.5*	0.5	−1.2
Military Payroll	mil. $	1st Qtr.	199.9*	−1.1	8.3
Civilian Payroll	mil. $	1st Qtr.	136.3*	−11.3	3.8
Local Purchases	mil. $	1st Qtr.	140.2*	18.7	−15.7
SUGAR					
SUGAR PRODUCTION	thous. tons	Jan.-Mar.	145	.....	20.7
N.Y. RAW SUGAR PRICE	$/ton	March	440.32	0.5	0.8
PINEAPPLE SHIPMENTS					
CANNED	mil. $	Jan.-Feb.	42	.....	77.7
FRESH	thous. lbs.	Jan.-April	85,785	.....	11.9
DIVERSIFIED AGRICULTURE					
CROPS					
Flowers & Nursery Products					
Wholesale	thous. $	1982	30,559	.....	3.7
Anthurium Cut Shipments	th. dozens	Jan.-March	393.1	.....	7.7
Potted Foliage	thous. $	1982	8,820	.....	21.4
Other*	thous. $	1982	16,106	.....	−4.8
Fruits & Nuts	thous. $	1982	41,982	.....	0.0
Papaya Sales	th. lbs.	Jan.-March	15,060	.....	75.4
Average Farm Price	cents/lb.	March	18.0	−18.2	−56.2
Macadamia Nut Sales (in shell)	th. lbs.	1983	38,160	.....	3.9
Average Farm Price	cents/lb.	1983	68.0	.....	−8.0
Other*	thous. $	1982	3,362	.....	8.4
Vegetable and Melon Production	th. lbs.	Jan.-March	17,277	.....	10.4
Other Crop Sales*	thous. $	1982	8,453	.....	−23.0
LIVESTOCK					
Beef Production (dressed wt.)	th. lbs.	Jan.-March	7,949	.....	−1.1
Average Farm Price (live/cwt basis)	cents/lb.	March	99.0	−1.0	−4.3
Hog Production (dressed wt.)	th. lbs.	Jan.-March	1,451	.....	0.2
Average Farm Price	cents/lb.	March	103.0	−1.9	2.0
Milk Production	mil. lbs.	Jan.-March	38.3	.....	4.4
Average Price Paid Farmers	$/100 lbs.	March	20.27	−2.5	−1.9
Egg Production	mil.	Jan.-March	51.8	.....	7.7
Average Farm Price	cents/doz.	March	92.0	1.7	6.4
Other Livestock Sales*	thous. $	1982	5,814	.....	−1.3
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE	mil. $	Jan.-Feb.	215.1	.....	−4.0
PRIVATE PERMITS AUTHORIZED					
RESIDENTIAL					
STATE	thous. $	Jan.-March	88,932	.....	16.1
C&C of Honolulu	thous. $	Jan.-March	52,613	.....	37.2
Maui County	thous. $	Jan.-March	10,123	.....	28.8
Hawaii County	thous. $	Jan.-March	13,168	.....	−20.8
Kauai County	thous. $	Jan.-March	13,029	.....	−5.3
SINGLE FAMILY UNITS					
STATE	number	Jan.-March	1,058	.....	23.3
C&C of Honolulu	number	Jan.-March	625	.....	36.8
Maui County	number	Jan.-March	147	.....	16.7
Hawaii County	number	Jan.-March	216	.....	−0.9
Kauai County	number	Jan.-March	70	.....	−22.8
MULTIPLE FAMILY UNITS					
STATE	number	Jan.-March	65	.....	32.7
C&C of Honolulu	number	Jan.-March	18	.....	28.6
Maui County	number	Jan.-March	0	.....	0.0
Hawaii County	number	Jan.-March	12	.....	−65.7
Kauai County	number	Jan.-March	35	.....	**
NONRESIDENTIAL					
STATE	thous. $	Jan.-March	56,268	.....	42.7
C&C of Honolulu	thous. $	Jan.-March	37,181	.....	37.7
Maui County	thous. $	Jan.-March	5,796	.....	48.5
Hawaii County	thous. $	Jan.-March	10,437	.....	197.6
Kauai County	thous. $	Jan.-March	2,854	.....	−43.2
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS	thous. $	Jan.-April	107,436	.....	2.6

*Coast Guard figures not included.
•Gross taxable income valued at time of shipment.
•Potted foliage grown for indoor or patio use.
•Includes cut flowers, cut orchids, lei flowers, cut foliage, other potted plants, unfinished flower and foliage stock, and other nursery products.
•Includes avocadoes, bananas, guavas, oranges, passion fruit, and tangerines.
•Includes snap beans, cabbage, celery, sweet corn, cucumbers, lettuce, onions, green peppers, tomatoes, and watermelons.
•Includes coffee, taro, feed and forage crops, and forest products.
•Includes broilers and chickens, turkeys, sheep, wool, horses, honey, and beeswax.

tween the first quarters of 1983 and 1984. Papaya sales expanded by 75.4 percent. Extensive replanting of trees following Hurricane Iwa are now reaching peak production. However, in response to the increased supply, prices dropped by 56.2 percent. Vegetables and melons continued to show higher production levels, increasing by 10.4 percent between the first quarters of 1983 and 1984.

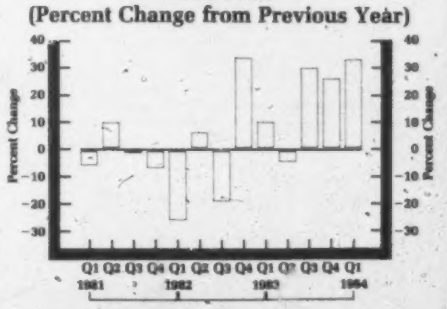
The construction industry continued to lag the overall recovery. Construction-put-in-place for the first two months of 1984 was 4.0 percent below the same period of 1983. This decline in dollar activity was mirrored in the employment figures. Construction jobs recorded an over-the-month drop of 1.1 percent, a continuation of the overall downward trend experienced by the industry since the beginning of 1981. However, not all was negative.

Public contracts and private permits indicate that building activity should pick up. In the private sector, permit approvals for residential structures showed a 16.1 percent over-the-year improvement compared to the first quarter of 1983. Nonresidential permits increased by 42.7 percent during the same time span. In the public sector, the value of contracts awarded during 1984 finally edged into the positive column. Government construction got off to a very slow start this year, especially when compared to the first months of 1983, which were exceptionally high. Giving the 1984 figures a substantial boost was the state's $19 million contract for the construction of Kauai's new airport terminal, and the federal government's $12 million contract for construction of new barracks at Schofield.

Single family home sales increased on all islands except for Hawaii during the first quarter of 1984. Condominium sales expanded by a healthy 9.4 percent on Oahu, but remained flat or showed a slight drop on the Neighbor Islands.

New car sales on Oahu reported a 2.8 percent growth between March of 1983 and 1984. This was a relatively small gain compared to previous months, but in general this sector is subject to large monthly fluctuations. Looking at cumulative figures, the first quarter of 1984 reported 32.9 percent more new cars sold. Overall, car dealers have enjoyed strong sales since the middle of 1983, consistently outperforming sales of the previous year (see Figure 1).

FIGURE 1
OAHU NEW CAR SALES
1981-1984
(Percent Change from Previous Year)



Source: Cardinal Mailing Service

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC CONTRACTS AWARDED (continued)					
BY LEVEL OF GOVERNMENT					
FEDERAL	thous. $	Jan.-April	30,440	.....	146.5
STATE	thous. $	Jan.-April	55,831	.....	−3.8
COUNTY	thous. $	Jan.-April	21,166	.....	−38.3
BY LOCATION OF PROJECT					
C&C of Honolulu	thous. $	Jan.-April	69,401	.....	−20.1
Maui County	thous. $	Jan.-April	4,971	.....	−14.9
Hawaii County	thous. $	Jan.-April	6,278	.....	−38.5
Kauai County	thous. $	Jan.-April	26,785	.....	1,444.1
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	April	347.6	−0.1	7.3
HIGH-RISE	1967 = 100	April	366.7	−0.2	5.2
REAL ESTATE					
OAHU: New Sales					
Single Family	number	Jan.-March	493	.....	92.6
Condominium	number	Jan.-March	564	.....	−43.1
Resales					
Single Family	number	Jan.-March	296	.....	13.4
Average Price	dollars	Jan.-March	195,271	.....	5.0
Condominium	number	Jan.-March	408	.....	9.4
Average Price	dollars	Jan.-March	102,619	.....	−4.3
MAUI: Resales					
Single Family	number	Jan.-March	47	.....	30.6
Average Price	dollars	Jan.-March	165,946	.....	−4.6
Condominium	number	Jan.-March	82	.....	−14.6
Average Price	dollars	Jan.-March	142,198	.....	−6.6
HAWAII: Resales					
Single Family	number	Jan.-March	67	.....	−21.2
Average Price	dollars	Jan.-March	79,777	.....	−18.1
Condominium	number	Jan.-March	20	.....	−35.5
Average Price	dollars	Jan.-March	106,250	.....	2.8
KAUAI: Resales					
Single Family	number	Jan.-March	20	.....	150.0
Average Price	dollars	Jan.-March	124,625	.....	−11.1
Condominium	number	Jan.-March	8	.....	33.3
Average Price	dollars	Jan.-March	111,988	.....	−28.6
BUSINESS SALES					
GROSS BUSINESS RECEIPTS	mil. $	Jan.-Feb.	4,116	.....	13.0
DIVERSIFIED MANUFACTURING	mil. $	Jan.-Feb.	92	.....	16.5
DIVERSIFIED AGRICULTURE	mil. $	Jan.-Feb.	39	.....	16.6
RETAILING	mil. $	Jan.-Feb.	1,478	.....	7.9
WHOLESALING	mil. $	Jan.-Feb.	1,074	.....	17.2
SERVICES	mil. $	Jan.-Feb.	918	.....	18.3
OAHU NEW CAR SALES	number	March	2,540	−30.7	2.8
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	March	592	7.8	3.1
GAS SALES	th. therms.	March	4,187	0.8	1.3
TELEPHONE LINES IN SERVICE	thous.	March	465	0.2	3.5
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX					
Urban Wage Earners and Clerical Workers (Revised): All Items	1967 = 100	February	284.3	−1.4*	3.5
All Urban Consumers: All Items	1967 = 100	February	280.7	0.8*	3.8

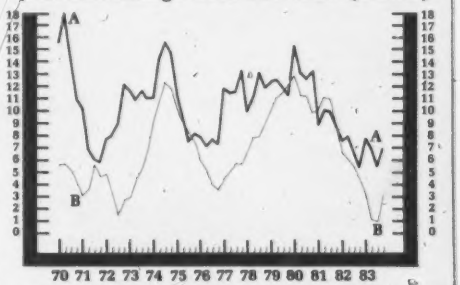
*Compared to December, 1983.

Sources:
Tourism—Hawaii Visitors Bureau, Pannell, Kerr, Forster.
Defense—Reports from various branches of the armed forces.
Sugar—Hawaiian Sugar Planters' Association.
Pineapple—Hawaii State Department of Taxation, Hawaii State Department of Agriculture.
Diversified Agriculture—Hawaii State Department of Agriculture.
Construction—Hawaii State Department of Taxation, Honolulu County Building Department, Hawaii, Kauai, and Maui County departments of public works.
Real Estate—Monitor Hawaii, Inc. Locations Inc., First Hawaiian Bank, Research Department.
Business Sales—Hawaii State Department of Taxation, Cardinal Mailing Services, Ltd.
Public Utilities—Hawaiian Electric Company, Inc. Citizens Utilities Company, Molokai Electric Co., Ltd. Gasco, Inc. Hawaiian Telephone Company.
Honolulu Prices—U.S. Department of Labor, Bureau of Labor Statistics.

Overall business transactions reported healthy gains during the first two months of 1984. Gross business receipts grew by 13.0 percent over the year. This represented an increase of approximately $.5 billion, from $3.6 billion in 1983 to $4.1 billion in 1984. The retail, wholesale, and service sectors accounted for the majority of the growth with wholesaling expanding by $158 million, services improving by $142 million, and retailing up by $108 million.

Not only were people spending more, but they were also earning more. Total personal income for the state increased from $12.5 billion in the third quarter of 1983 to $12.7 billion in the fourth quarter of 1983. This represented a healthy 2.2 percent over-the-quarter gain. Comparing fourth quarters of 1982 and 1983, total personal income grew by 7.1 percent. Since Hawaii's inflation rate was held to 3.8 percent during 1983, this meant a real gain of 3.3 percent for workers in terms of income. 1983 was the first year since 1978 that the paychecks of Hawaii's workers significantly outpaced the inflation rate (see Figure 2). While personal income showed giant annual jumps in the 10 to 15 percent range during the 1979 to 1982 period, these gains were largely offset by simultaneous growth in the consumer price index.

FIGURE 2
TOTAL PERSONAL INCOME AND THE HONOLULU CONSUMER PRICE INDEX 1970-1983
(Percent Change from Previous Quarter)



A. Total Personal Income
B. Honolulu Consumer Price Index (All Urban Consumers)
Source: U.S. Bureau of Labor Statistics

Positive changes were also evident in labor force data. March's unemployment rate continued to edge downward from 5.6 percent in February to 5.4 percent in March. This was a dramatic improvement over March of 1983, which reported a 6.5 percent jobless rate. This favorable trend was seen in all counties.

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population and personal income in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
POPULATION					
DE FACTO—STATE	thous.	July 1, 1983	1,119	.....	2.9
TOTAL RESIDENT—STATE	thous.	July 1, 1983	1,023	.....	2.7
C&C of Honolulu	thous.	July 1, 1983	n.a.	.....	.....
Maui County	thous.	July 1, 1983	n.a.	.....	.....
Hawaii County	thous.	July 1, 1983	n.a.	.....	.....
Kauai County	thous.	July 1, 1983	n.a.	.....	.....
CIVILIAN RESIDENT—STATE	thous.	July 1, 1983	964	.....	2.4
MILITARY PERSONNEL—STATE	number	July 1, 1983	59,021	.....	−3.4
Ashore	number	July 1, 1983	53,755	.....	−0.8
Afloat	number	July 1, 1983	5,266	.....	−23.9
CIVILIAN DEPENDENTS OF MILITARY	number	July 1, 1983	66,252	.....	−0.7
FOREIGN IMMIGRATION*	number	12 mo. total for period ending 4/84	5,385	.....	−7.8
PERSONAL INCOME					
TOTAL PERSONAL INCOME**	mil. $	4th Qtr., 1983	12,651	2.2	7.1
Employment income	mil. $	4th Qtr., 1983	9,312	2.0	5.4
Manufacturing	mil. $	4th Qtr., 1983	455	0.4	3.4
Construction & Mining	mil. $	4th Qtr., 1983	564	0.9	15.3
Wholesale	mil. $	4th Qtr., 1983	395	1.0	4.5
Retail	mil. $	4th Qtr., 1983	1,054	1.9	4.9
Finance, Ins. & Real Estate	mil. $	4th Qtr., 1983	606	1.5	8.4
Trans., Comm. & Util.	mil. $	4th Qtr., 1983	754	0.1	−6.1
Services	mil. $	4th Qtr., 1983	2,091	2.9	12.0
Farm & Other	mil. $	4th Qtr., 1983	349	4.2	13.7
Federal Civilian	mil. $	4th Qtr., 1983	846	−2.0	1.8
Federal Military	mil. $	4th Qtr., 1983	1,106	5.2	2.0
State & Local	mil. $	4th Qtr., 1983	1,093	3.0	1.5
Property Income (Dividends, Interest, Rent)	mil. $	4th Qtr., 1983	2,250	2.8	16.2
Transfer Payments (1,642) minus Personal Contributions for Social Ins. (579)	mil. $	4th Qtr., 1983	1,088	2.5	4.8
PER CAPITA PERSONAL INCOME					
STATE PER CAPITA	dollars	1982	11,602	.....	5.2
PER CAPITA BY COUNTY					
C&C of Honolulu	dollars	1981	11,553	.....	9.0
Maui County	dollars	1981	9,702	.....	7.2
Hawaii County	dollars	1981	8,728	.....	5.0
Kauai County	dollars	1981	9,132	.....	7.2

n.a. = not available.

**Total personal income and all components are seasonally adjusted at annual rates.

*These immigration statistics include only those entering Honolulu ports and do not include status changes.

•Includes wage and salary disbursements, proprietors' income, and other labor income.

•Income from mining not shown separately to avoid disclosure of confidential information.

Sources:

Population—Hawaii State Department of Planning and Economic Development. U.S. Bureau of the Census. U.S. Immigration and Naturalization Service.

Personal Income—U.S. Department of Commerce, Bureau of Economic Analysis.

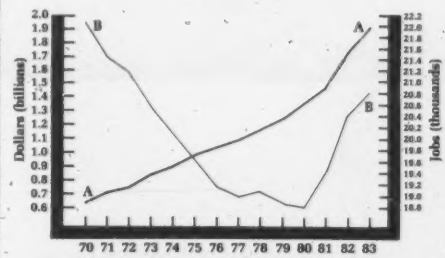
Overall job counts experienced a very modest 0.3 percent over-the-month gain during March, although the growth was relatively widespread. All major industries except construction, pineapple, and sugar increased. Cutbacks at the pineapple canneries were largely due to seasonal layoffs as the winter packing season came to a close. On the positive side, the University of Hawaii hired temporary faculty and staff. Retail stores added to their payrolls in preparation for spring sales, while the recent surge in tourism resulted in increased employment in visitor-related businesses. Higher hotel job counts were reported on all islands. Inter-island air carriers and tour services hired more workers to meet the needs of the increased number of tourists, pushing the transportation job count upward. Eating and drinking establishments also reported hires, increasing the retail-trade job count.

DEFENSE EXPENDITURES

Military spending is Hawaii's second largest industry; only tourism produces more direct income to the state. In 1983, defense expenditures totalled $1.9 billion. This represented an impressive 11.9 percent gain over the $1.7 billion reported in the previous year.

Because of its size and recession-proof nature, the defense industry has been a stabilizing influence on Hawaii's economy. In spite of economic slowdowns, military spending has always shown substantial annual growth (see Figure 3), offsetting losses in industries more sensitive to business cycles. Furthermore, the industry has more

FIGURE 3
MILITARY EXPENDITURES AND JOBCOUNT STATE OF HAWAII 1970-1983



A. Defense Expenditures (left-hand scale)
B. Department of Defense Civilian Jobcount (right-hand scale)

Sources: (A) Reports from various branches of the Armed Forces
(B) Hawaii State Department of Labor and Industrial Relations

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employment and unemployment in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
EMPLOYMENT IN STATE AND COUNTIES (number of persons)					
STATE					
Civilian Labor Force	thous.	March	474.2p	0.1	−0.1
Employment	thous.	March	448.6p	0.3	1.1
Unemployment	thous.	March	25.6p	−3.4	−16.7
Unemployment Rate	percent	March	5.4p	−3.6	−16.9
C & C OF HONOLULU					
Civilian Labor Force	thous.	March	363.3p	0.3	0.3
Employment	thous.	March	346.1p	0.4	1.4
Unemployment	thous.	March	17.2p	−2.0	−17.9
Unemployment Rate	percent	March	4.7p	−2.1	−19.0
MAUI COUNTY					
Civilian Labor Force	thous.	March	43.0p	−0.1	−1.9
Employment	thous.	March	39.9p	0.1	−0.7
Unemployment	thous.	March	3.0p	−4.7	−15.3
Unemployment Rate	percent	March	7.1p	−4.0	−13.4
HAWAII COUNTY					
Civilian Labor Force	thous.	March	46.2p	−0.3	−0.8
Employment	thous.	March	42.3p	0.2	1.0
Unemployment	thous.	March	3.8p	−7.2	−16.3
Unemployment Rate	percent	March	8.3p	−6.7	−16.2
KAUAI COUNTY					
Civilian Labor Force	thous.	March	21.6p	−0.9	−1.6
Employment	thous.	March	20.2p	−0.2	−1.2
Unemployment	thous.	March	1.5p	−6.3	−6.3
Unemployment Rate	percent	March	6.8p	−8.1	−5.6
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	March	446.7p	0.3	0.0
SUGAR (incl. mfg.)	thous.	March	8.0p	−1.8	−1.8
PINEAPPLE (incl. mfg.)	thous.	March	3.1p	−12.7	−20.5
DIVERSIFIED MANUFACTURING (excluding sugar and pineapple)	thous.	March	16.0p	0.0	0.0
Durable Goods	thous.	March	3.4p	−1.4	−8.0
Non-Durable Goods	thous.	March	12.6p	0.4	2.4
Apparel and Textiles	thous.	March	2.9p	0.0	1.8
DIVERSIFIED AGRICULTURE (excluding sugar and pineapple)					
Ag. Services, Forestry and Fishing	thous.	March	7.6p	2.7	1.3
CONTRACT CONSTRUCTION	thous.	March	17.2p	−1.1	−5.0
TRANSPORTATION	thous.	March	21.2p	0.5	1.7
COMMUNICATION	thous.	March	7.4p	0.0	−2.0
UTILITIES	thous.	March	2.4p	0.0	−2.0
RETAIL TRADE	thous.	March	89.6p	0.3	2.2
WHOLESALE TRADE	thous.	March	18.2p	1.1	−0.5
FINANCE, INSURANCE AND REAL ESTATE	thous.	March	31.2p	0.5	−2.0
HOTEL SERVICES—STATE	thous.	March	27.8p	1.1	3.0
Honolulu County	thous.	March	15.6p	1.0	4.7
Maui County	thous.	March	6.3p	1.6	−2.3
Hawaii County	thous.	March	3.6p	1.4	−2.7
Kauai County	thous.	March	2.2p	0.0	12.5
OTHER SERVICES	thous.	March	78.0p	0.2	0.5
FEDERAL GOVERNMENT	thous.	March	31.6p	0.2	−1.7
Civilian Agencies	thous.	March	11.2p	0.5	−0.4
Defense Department	thous.	March	20.5p	−0.2	−2.4
STATE GOVERNMENT	thous.	March	48.5p	1.7	−0.1
COUNTY GOVERNMENT	thous.	March	12.6p	0.0	0.4
UNEMPLOYMENT INSURANCE CLAIMS AND PAYMENTS					
INSURED UNEMPLOYMENT (weekly average)	number	March	11,329	−11.5	−26.6
INTRASTATE INITIAL CLAIMS	number	March	5,497	−0.7	−11.8
INTERSTATE INITIAL CLAIMS	number	March	305	−5.6	−30.5
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	March	6,236	7.7	−17.6

p = preliminary.

Sources:
Employment, Job Count, and Unemployment Insurance—Hawaii State Department of Labor and Industrial Relations.

than doubled in the past decade, expanding steadily from $840.9 million in 1973 to almost $2 billion in 1983.

Though annual military spending has risen steadily, the employment of civilians has generally trended downward. Military jobs decreased annually from 1970 to 1980, although employment picked up again between 1980 and 1983. The net result has been a mere 1.2 percent increase in civilian military employment over the decade, from 20,600 jobs in 1973 to 20,850 jobs in 1983. Nevertheless, the Department of Defense remains one of the state's largest employers, providing more jobs than the sugar and pineapple industries combined.

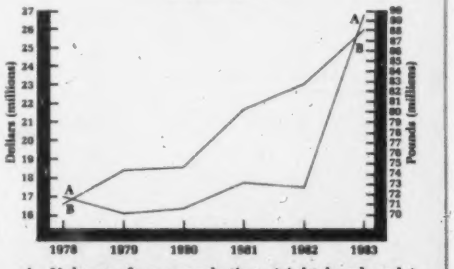
However, data for 1984 suggest that the job count is again dropping. The current downward trend in employment appears to reflect prevailing Navy policies concerning the home porting of naval vessels. Reassignment to other home ports, and early retirement of ships has drastically cut the workload at the Pearl Harbor Naval Shipyard. According to estimates by industry representatives, these changes eliminated five repair projects, which would have totalled approximately $185 million. The reduction in work has necessitated significant layoffs, which have not only hurt defense workers, but also the private companies which previously handled the workload overflow. The roughly $20 million private-sector ship-repair industry has already been reduced by 80 percent due to scheduling changes. Officials estimate that the recent cutbacks have resulted in the loss of about 1,000 public and private-sector jobs, and that another 700 government jobs at Pearl Harbor may be eliminated if more ships are not home ported here.

VEGETABLES AND MELONS

Total farm value of Hawaii's vegetable and melon crop in 1983 was estimated at a record $26.0 million surpassing the previous high of $23.0 million set last year by 13 percent (see Figure 4). According to the Hawaii Agricultural Reporting Service (HARS), improved weather conditions and increased acreage were the major factors contributing to the record high level of sales.

Crop acreage and volume of production

FIGURE 4
VEGETABLES AND MELONS
STATE OF HAWAII
1978-1983



A. Volume of crop marketings (right-hand scale)
B. Value of crop sales (left-hand scale)
Source: Hawaii Agricultural Reporting Service

public assistance in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
RECIPIENTS[1]					
Income Maintenance	no./persons	March	62,800	0.4	−2.9
Services	no./cases	1st Qtr.	6,927	1.4	2.9
Medical	no./patients	April	47,343	−13.2	−17.8
Food Stamps	no./persons	February	99,926	−0.4	−3.1
PAYMENTS					
Income Maintenance	thous. $	March	8,762	0.9	−4.3
Services	thous. $	1st Qtr.	3,784	4.2	6.3
Medical	thous. $	April	11,636	−28.6	−29.0
Food Stamps	thous. $	February	6,678	−0.6	−2.6

[1]Count of recipients is duplicated. A person may be counted in each category.

Sources:
Public Assistance—Hawaii State Department of Social Services and Housing.

banking and finance in hawaii

	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
FINANCE					
COMMERCIAL BANKS					
Total Deposits					
STATE	mil. $	March	6,121	2.2	9.5
Honolulu County	mil. $	March	5,041	2.3	9.1
Maui County	mil. $	March	398	3.0	14.0
Hawaii County	mil. $	March	459	1.4	12.8
Kauai County	mil. $	March	224	1.0	4.7
Debits to Demand Deposits					
STATE	mil. $	March	7,726	−13.3	−4.1
Honolulu County	mil. $	March	7,051	−15.3	−4.9
Maui County	mil. $	March	305	25.1	9.8
Hawaii County	mil. $	March	265	7.3	4.5
Kauai County	mil. $	March	104	11.0	−7.2
Loans Outstanding	mil. $	1st Qtr., 1984	3,866	n.a.	n.a.
Real estate	mil. $	1st Qtr., 1984	1,644	−0.5	2.5
Consumer	mil. $	1st Qtr., 1984	850	−0.4	7.3
Commercial & industrial	mil. $	1st Qtr., 1984	1,065	−7.6	0.3
Other	mil. $	1st Qtr., 1984	306	n.a.	n.a.
SAVINGS & LOAN ASSOCIATIONS					
Total Deposits	mil. $	February	3,760	1.0	8.7
Loans	mil. $	February	30	−8.9	15.6
Residential	mil. $	February	16	21.4	−1.1
Other	mil. $	February	14	−28.9	42.7
STATE TAX COLLECTIONS[2]					
TAX COLLECTIONS—STATE	thous. $	March	326,231	.....	9.4
Honolulu County	thous. $	March	284,899	.....	9.9
Maui County	thous. $	March	17,877	.....	7.8
Hawaii County	thous. $	March	17,032	.....	12.2
Kauai County	thous. $	March	6,423	.....	−7.9

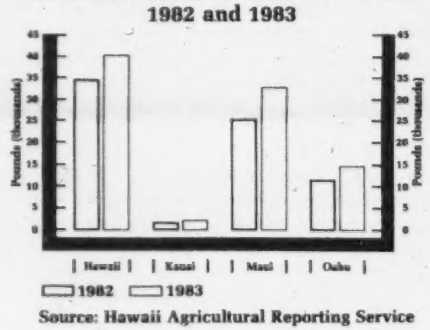
na = not available due to changes in reporting forms.
[1]Includes data for both Hawaii and Guam.
[2]Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

Sources:
Finance—Hawaii State Department of Commerce and Consumer Affairs. Federal Deposit Insurance Corporation reports. Federal Home Loan Bank of Seattle.
State Tax Collections—Hawaii State Department of Taxation.

also reached record levels. In 1983, the number of acres utilized for vegetable and melon farming increased by an impressive 27 percent from 4,100 to 5,100 acres. The total volume of vegetable and melon production also rose by 23 percent or 17 million pounds from 72.7 million in 1982 to a record 89.5 million pounds in 1983 (see Figure 4).

Several crops made notable gains in value, volume of production, and acreage. They were: burdock, sweet corn, dry onions, green peppers, Italian squash, watercress, and watermelons. Some major crops, however, suffered declines in farm value as a result of the increased supply. Chinese cabbage production reached a record high 8.8 million pounds, but the farm price fell by 25.5 percent from 14.5 cents per pound to 10.8 cents per pound between 1982 and 1983. As a result, farm value dropped 17 percent from $1.1 million to $.9 million. Ginger root was another crop that experienced a decline in value during 1983. A record harvest of 5.1 million pounds caused the farm price to drop to its lowest level in 11 years. Value of the ginger crop fell 19.4 percent from $3.35 million in 1982 to $2.81 million in 1983. On the other hand, improved production of vegetables and melons was seen in all counties between 1982 and 1983: Hawaii's production grew by 16.4 percent; Kauai's rose by 25.2 percent; Maui County's increased by 30.1 percent; and Oahu's gained by 26.9 percent (see Figure 5). Contrary to most other industries in the state, crop production was centered on the Neighbor Islands. The Big Island, with 40.2 million pounds of vegetables and melons, accounted for 45 percent of the state's total crop. Maui County ranked second with 37 percent. Oahu was third with 16 percent, and Kauai comprised 2 percent.

FIGURE 5
VEGETABLES AND MELONS
VOLUME OF PRODUCTION BY COUNTY
1982 and 1983



Source: Hawaii Agricultural Reporting Service

The data indicate that the state is making some progress in diversifying its agricultural base. This trend should continue as the state prepares to build three agricultural parks on Oahu: 126 acres in Waimanalo, 1,272 acres in Waianae, and 550 acres in Kahuku. By paying for the infrastructure improvements and charging low lease rents, the state will assist small independent farmers in offsetting high land costs, while at the same time countering the urbanization of rural land, and encouraging agricultural diversification.

ECONOMIC INDICATORS

A Bimonthly Report on Current Economic Conditions in Hawaii
by the Research Department, First Hawaiian Bank

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Streamlining Honolulu's Development Permit System

A major concern of the recent Governor's Committee on Doing Business in Hawaii was the effect of government regulations on development. State and county land-use management policies and regulations were seen as creating delays, unnecessarily increasing costs, and often effectively preventing well-conceived urban land development. Consumers must pay higher prices, government suffers from inefficient duplication of effort, and the construction industry must bear greater carrying costs and management expenses. Of the major recommendations put forth by the Committee, several directly concerned the permit process, including: (1) reevaluating state and county land-use management policies to eliminate duplication, and reduce the time required to process applications, and (2) streamlining the permit approval process to allow concurrent reviews, and public hearings with realistic deadlines for administrative and legislative action.

In response to these same concerns, a joint private-public committee, the Mayor's Committee on Streamlining the Development Permit System, was organized by the City and County of Honolulu to identify, analyze, and reach consensus on methods to streamline the existing development-approval process. The results of the Committee's deliberations were recently released in the *Report to the Mayor on Streamlining Honolulu's Building Permit and Subdivision Approval Process*. The objectives of the Committee's work were to: (1) identify issues and appropriate public-sector actions to streamline Honolulu's building-permit and subdivision-approval processes; (2) improve mutual understanding of the problems faced by the public and private sectors; and (3) ensure the timely implementation of recommendations.

The basic conclusion of the Committee was that a major overhaul of the system was unnecessary because the approval process is already fulfilling its basic objective of ensuring public health, safety, and welfare. However, a number of areas were identified where improvements to the approval process were warranted, and specific recommendations were put forward. Highlights of the major issues and recommendations follow.

In terms of building permits, the following areas were addressed: (1) processing delays due to lack of adequate staffing. Recommendations included hiring new staff and rotating employees according to work demands; (2) duplication of reviews between city agencies as well as between state and city agencies. Recommendations included consolidating review functions, eliminating others, improving public awareness of areas where reviews do not overlap, as well as allowing simultaneous rather than consecutive reviews to reduce processing time. Other recommendations included: (1) requiring a partial payment of the permit fee to avoid loss of staff review time for applicants without financial resources to obtain building permits; and (2) expediting review of projects in which at least 10 percent of the units are for low- and moderate-income families.

In terms of the subdivision approval process, one major area of concern was delays in the review process due to: inadequate staffing; sequential review processes; inadequate agency coordination; mixing of small and large projects; requirements for prior approvals; overlapping multi-agency reviews; time required for nonconforming structures; and overly stringent housing guidelines. Recommendations included: additional staffing; simultaneous review processes; more centralized approvals; more timely reviews; better inter-agency coordination; segregation of projects according to size; suspension of prior approval in certain cases; reducing the number of agency reviews; more flexible detail requirements; and revisions in affordable housing guidelines. Other issues included: (1) unnecessary use of staff time for incomplete submissions, and concern for design details. Recommendations included the use of plan spot checks, and better allocation of review functions; (2) lack of staff training for multiple functions. Recommendations include more effective personnel rotation; (3) inflexible water-service requirements. Recommendations included more flexible water-service area boundaries. Other recommendations included: (1) amending roadway frontage improvement requirements to relieve currently excessive regulatory discretion; (2) more up-to-date information on development-approval procedures; (3) better information concerning required infrastructural improvements; (4) reexamination of the bond-renewal process to reduce the costs of project insurance to small developers; (5) extending the required period of project start-up to assist developers unable to begin projects within the current one-year mandatory time frame; (6) revising design standards to reduce high-speed automobile travel on city streets, and (7) improving the means of assessing property owners for the costs of required street improvements.

The report concludes with the observation that, while continuing to ensure the maintenance of public health and safety, reductions in the costs of development can be achieved through implementation of its recommendations. Participation of both private and public sector representatives also proved to be a successful approach to identifying problems and solutions, as well as promoting greater mutual understanding. The report closes with the recommendation that the Committee continue to meet and review the land development-approval system, in particular, the current zoning and Development Plan approval process, in order to identify specific areas for improvement.

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ECONOMIC INDICATORS

Research Department, First Hawaiian Bank | July/August 1984

The Changing Structure of Hawaii's Labor Force

Unquestionably, the most important aspect of Hawaii's economic history since statehood has been the transformation of Hawaii's economy from one based on sugar and pineapple, to one based predominantly on tourism and consumer services. The result has altered not only what people do to make a living, but how the labor force itself is structured, and the overall level of social and economic well-being.

In 1958, just prior to Hawaii's statehood, the compositon of Hawaii's work force reflected the generally prevailing balance between industries. Agriculture, manufacturing, and construction jobs constituted 24 percent of the labor force, while utilities, trade, and services accounted for 41 percent, and government accounted for 23 percent of the labor force. By 1982, those proportions had shifted dramatically. Agriculture, manufacturing, and construction fell to 11 percent, government fell to 20 percent, and utilities, trade and services rose to 62 percent of the labor force. In short, by 1982, over 80 percent of the labor force was involved in some form of trade or service occupation as opposed to the traditional agricultural and skilled occupations.

This pattern was replicated in terms of the actual types of jobs that people held. In 1960, the occupational distribution reflected an even balance between administrative, skilled, and service occupations characteristic of the industrial balance prevailing then. Professional, managerial, and technical jobs accounted for 21 percent of all jobs. Farming, skilled craft and operator, and laborer jobs were the largest segment at 42 percent, while sales, clerical, and service occupations constituted 32 percent of all jobs. By 1980, the balance had shifted dramatically. Professional, managerial, and technical jobs remained virtually static at 23 percent. Farming and skilled occupations, however, fell dramatically to 27 percent, while sales, clerical, and service jobs rose to 50 percent of all jobs. Thus, since statehood, Hawaii has experienced a virtual restructuring of its labor force from one being predominantly craft and skill oriented to one being predominantly sales and service oriented. This partial "inversion" in the labor force has had profound implications for Hawaii's economy.

First of all, most of the expansion in the Hawaiian economy has been in "low wage" industries. For example, according to the State Department of Labor and Industrial Relations, 61 percent of the increase in total employment between 1960 and 1982 was in retail trade and services. In 1982, average earnings in retailing were 63 percent below the state all-industry average, while earnings in the service sector were 15 percent below average. Hotel workers were 40 percent below average. With the additional decline of "high-wage" industries such as construction, sugar, and manufacturing, the result was that average annual wages for employed workers, corrected for inflation, actually **declined** between 1970 and 1982 by 13 percent Hawaii's average wages are also low by national standards. In 1982, Hawaii ranked 32nd at $15,361, falling 9 percent below the national average of $16,732.

Furthermore, given the fact that Hawaii ranked **first** nationwide in budget expenditures for intermediate-income families in 1981, the high expenditure requirements and low per-capita wages have worked to force more people into the labor market. For example, according to the U.S. Bureau of Labor Statistics (BLS), Hawaii ranked 11th nationwide in terms of the overall proportion of the population in the labor force in 1982. Hawaii also has one of the highest rates of multi-wage earner families, 62 percent compared to 54 percent nationally. This is due to the high proportion of women in the labor force. They account for 49 percent of the labor force in Hawaii. Hawaii also ranked 4th nationwide in terms of the proportion of women (59 percent) in the labor force. Furthermore, 69 percent of female jobs were limited to sales, clerical, and service occupations.

Another more potentially serious implication stems from the highly seasonal nature of employment in Hawaii due to the predominance of hotel and tourist-related services, as well as retail trade and state and local government services. An analysis of seasonality trends in Hawaii's nonagricultural labor force reveals that between 1970 and 1980, Hawaii's labor force experienced seasonal fluctuations in employment that were 65 percent greater than the national norm. As a result, a significant amount of seasonal economic fluctuation is absorbed by lower-wage segments of the occupational ladder such as hotel and restaurant workers, sales people, clerks and other part-time and casual hires. This suggests the growing prevalence in Hawaii of what economists term a dual labor market in which workers become increasingly polarized into separate primary and secondary labor markets. Jobs in the primary market are characterized by high wages, good working conditions, employment stability, chances of advancement, due process in the administration of work rules and, often, labor union representation. Jobs in the secondary market, in contrast, tend to have lower wages and fringe benefits, poorer working conditions, high labor turnover, little chance of advancement, and often ill-defined work rules.

The situation in Hawaii appears to have resulted from the combined factors of Hawaii's high cost of living, which has tended to force more secondary wage earners into the labor market, and job openings, which have tended to be limited to lower-wage service-related secondary jobs. This is worsened by the high competition for jobs as indicated by Hawaii's low unemployment rate, which has tended to hold wages down even further.

Clearly, the threat to the lower-income segments of the labor market and society in general derives from the possibility that this kind of segmented labor market might become a predominant part of Hawaii's economy. The role of responsible public policy, therefore, lies in the direction of stimulating more "primary" jobs in the economy, while encouraging upward mobility from the secondary to the primary labor market. The high rate of secondary employment in the economy is also an important symptom of Hawaii's dependence on tourism as its dominant source of income. Thus, improvement in Hawaii's overall labor force structure will depend in large part on the success of current state efforts to diversify Hawaii's economic base by developing more high wage, stable, and growth-oriented employment. While the state's current commitment to these goals gives ground for hope, the continuing deterioration in the quality of Hawaii's labor force serves as a reminder of the consequences of inaction.

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u. s. economic indicators

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
GENERAL BUSINESS INDICATORS					
COMPOSITE INDEX OF LEADING INDICATORS*	1967 = 100	May	168.2p	−0.1	8.9
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	2nd Qtr.	3,624.6p	2.1	10.8
In 1972 Dollars	bil. $	2nd Qtr.	1,631.6p	1.4	7.0
PERSONAL INCOME**	bil. $	May	2,978.8p	0.6	9.5
RETAIL SALES*	mil. $	May	107,288p	0.2	10.3
BANKING AND CREDIT					
DEBITS TO DEMAND DEPOSITS**	bil. $	April	68,000.0	−2.6	20.5
BANK LOANS*	bil. $	May	1,213.6p	1.6	14.1
AVERAGE PRIME RATE CHARGED BY BANKS	percent	June	12.6	1.7	20.0
CONSUMER INSTALLMENT DEBT*	mil. $	April	412,073	1.6	15.6
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	April	302.5p	0.2	22.3
CONSTRUCTION COST INDEXES					
Residences	1967 = 100	March	352.5	0.1'	6.1
Apts, Hotel, Office Bldgs	1967 = 100	March	356.8	0.1'	6.0
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	May	105,288	0.8	5.5
UNEMPLOYMENT*	thous.	May	8,514	−3.7	−23.9
UNEMPLOYMENT RATE*	percent	May	7.5	−3.8	−25.7
PRICES					
CONSUMER PRICE INDEX (All Items)					
Urban Wage Earners and Clerical Workers (Revised)	1967 = 100	May	305.4	0.4	3.1
All Urban Consumers	1967 = 100	May	309.7	0.3	4.2
PRODUCER PRICE INDEXES					
Finished Goods*	1967 = 100	May	291.5	0.0	2.6
All Commodities	1967 = 100	April	311.4	0.1	3.5

p = preliminary.
'Compared to January, 1984.
*Seasonally adjusted.
**Seasonally adjusted at annual rates.

Sources:
General Business Indicators—U.S. Department of Commerce.
Banking and Credit—Board of Governors of the Federal Reserve System.
Construction—U.S. Department of Commerce, The American Appraisal Company.
Employment and Prices—U.S. Department of Labor, Bureau of Labor Statistics.

business activity in hawaii

TOURISM					
OVERNIGHT OR LONGER VISITORS	number	April	382,285	−13.5	19.9
	number	Jan.-April	1,601,325	.....	15.3
Westbound	number	April	294,595	−17.2	20.5
	number	Jan.-April	1,251,605	.....	14.8
Eastbound	number	April	87,690	1.5	18.0
	number	Jan.-April	349,720	.....	17.0
AVERAGE DAILY VISITOR CENSUS'	number	.....	n.a.	.....	.....
AVERAGE LENGTH OF STAY'	no. of days	.....	n.a.	.....	.....
MEETINGS ATTENDANCE	number	April	36,995	73.3	89.1
ORGANIZED GROUP TOURS	number	April	78,740	−14.2	20.1
NEIGHBOR ISLAND VISITORS'					
Maui	number	April	147,470	−18.6	26.1
	number	Jan.-April	631,780	.....	20.3
Hawaii	number	April	50,320	−34.4	4.5
	number	Jan.-April	265,255	.....	11.6
Kauai	number	April	55,060	−29.5	19.2
	number	Jan.-April	261,660	.....	34.7
VISITOR ACCOMMODATIONS					
STATE	number	February	62,448	3.7	6.3
Oahu	number	February	36,848	3.0	7.3
Waikiki	number	February	32,239	1.2	7.1
Maui (includes 12 on Lanai)	number	February	12,511	4.6	3.2
Molokai	number	February	627	0.2	−0.2
Hawaii	number	February	7,149	−1.3	−4.3
Kauai	number	February	5,313	15.3	26.7
HOTEL OCCUPANCY					
STATE	percent	May	72.91	−4.0	14.4

n.a. = not available.
'Estimated Westbound.

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CURRENT BUSINESS TRENDS

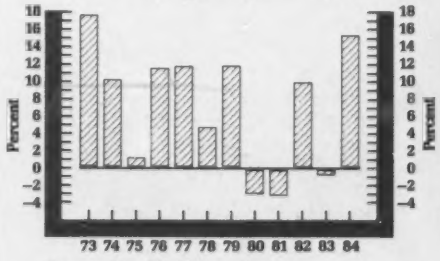
This month's data substantiate the continuity and strength of Hawaii's economic recovery. The visitor industry reported exceptional gains, and most other major sectors of the state's economy followed suit. Tourism is, by far, Hawaii's largest industry, and as it increases, the effects ripple through the economy resulting in improvements in many other sectors. Business receipts, tax collections, and employment all reported healthy gains this year.

Tourism's performance this year has exceeded all expectations. So far each month has set new records for the number of visitor arrivals, and April continued this trend.

According to the Hawaii Visitors Bureau's (HVB) latest report, a total of 382,285 people came to Hawaii during the month of April. That was a dramatic 19.9 percent improvement over the 318,900 tourists reported in April of last year.

April's figures bring cumulative arrivals for this year to 1,601,325. That represents an impressive 15.3 percent gain over the same period in 1983. The industry has not seen such growth since 1973 (See Figure 1). Because the January-April period serves as a relatively good indicator for the year, the trend seen in the first four months should be expected to continue through the year.

FIGURE 1
CUMULATIVE VISITOR ARRIVALS PERCENT CHANGE FROM PREVIOUS YEAR JANUARY-APRIL 1973-1983



Source: Hawaii Visitors Bureau

This year's exceptional growth was evident in all major markets. For the January-April 1984 period, eastbound travelers (from Asia, primarily Japan and Oceania) totalled 349,720 compared to 298,845 in 1983, an

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
HOTEL OCCUPANCY (continued)					
Oahu	percent	May	76.25	−4.7	11.1
Maui	percent	May	82.07	−7.6	17.7
Hawaii	percent	May	50.75	−2.6	32.9
Kauai	percent	May	62.91	3.1	14.4
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	1st Qtr.	476.5*	0.5	−1.2
Military Payroll	mil. $	1st Qtr.	199.9*	−1.1	8.3
Civilian Payroll	mil. $	1st Qtr.	136.3*	−11.3	3.8
Local Purchases	mil. $	1st Qtr.	140.2*	18.7	−15.7
SUGAR					
SUGAR PRODUCTION	thous. tons	Jan.-May	364	.....	10.1
N. Y. RAW SUGAR PRICE	$/ton	May	440.02	−0.1	−2.6
PINEAPPLE SHIPMENTS					
CANNED[2]	mil. $	Jan.-April	69	.....	53.6
FRESH	thous. lbs.	Jan.-June	132,908	.....	10.2
DIVERSIFIED AGRICULTURE					
CROPS					
Flowers & Nursery Products (wholesale)	thous. $	1982	30,559	.....	3.7
Anthurium Outshipments	th. dozens	Jan.-May	690.3	.....	16.2
Potted Foliage[3]	thous. $	1982	8,820	.....	21.4
Other[4]	thous. $	1982	16,106	.....	−4.8
Fruits & Nuts	thous. $	1982	41,982	.....	0.0
Papaya Sales	th. lbs.	Jan.-May	27,660	26.5	74.2
Average Farm Price	cents/lb.	May	14.0	−12.5	−64.0
Macadamia Nut Sales (in shell)	th. lbs.	1983	38,160	.....	3.9
Average Farm Price	cents/lb.	1983	68.0	.....	−8.0
Other[5]	thous. $	1982	3,362	.....	8.4
Vegetable and Melon Production[6]	th. lbs.	Jan.-May	29,646	.....	2.4
Other Crop Sales[7]	thous. $	1982	8,453	.....	−23.0
LIVESTOCK					
Beef Production (dressed wt.)	th. lbs.	Jan.-May	12,822	.....	−4.3
Average Farm Price (feedlot beef)	cents/lb.	May	97.0	−3.0	−9.8
Hog Production (dressed wt.)	th. lbs.	Jan.-May	2,490	.....	1.0
Average Farm Price	cents/lb.	May	104.0	0.5	1.5
Milk Production	mil. lbs.	Jan.-May	64.9	.....	3.5
Average Price Sold to Plants	$/100 lbs.	May	19.70	−0.5	−2.0
Egg Production	mil.	Jan.-May	87.4	.....	7.1
Average Farm Price	cents/doz.	May	92.5	−0.5	8.2
Other Livestock Sales[8]	thous. $	1982	5,814	.....	−1.3
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE	mil. $	Jan.-April	463.0	.....	1.7
PRIVATE PERMITS AUTHORIZED					
RESIDENTIAL					
STATE	thous. $	Jan.-May	159,342	.....	15.5
C&C of Honolulu	thous. $	Jan.-May	102,071	.....	66.4
Maui County	thous. $	Jan.-May	17,922	.....	8.8
Hawaii County	thous. $	Jan.-May	21,111	.....	−7.7
Kauai County	thous. $	Jan.-May	18,239	.....	−51.1
SINGLE FAMILY UNITS					
STATE	number	Jan.-May	1,746	.....	26.2
C&C of Honolulu	number	Jan.-May	993	.....	40.7
Maui County	number	Jan.-May	254	.....	15.5
Hawaii County	number	Jan.-May	373	.....	4.8
Kauai County	number	Jan.-May	126	.....	23.5
MULTIPLE FAMILY UNITS					
STATE	number	Jan.-May	489	.....	511.3
C&C of Honolulu	number	Jan.-May	438	.....	1,890.9
Maui County	number	Jan.-May	0	.....	−100.0
Hawaii County	number	Jan.-May	16	.....	−54.3
Kauai County	number	Jan.-May	35	.....	169.2
NONRESIDENTIAL					
STATE	thous. $	Jan.-May	83,335	.....	−0.2
C&C of Honolulu	thous. $	Jan.-May	57,456	.....	11.7
Maui County	thous. $	Jan.-May	7,675	.....	19.4
Hawaii County	thous. $	Jan.-May	14,031	.....	−10.2
Kauai County	thous. $	Jan.-May	4,173	.....	−58.1
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS	thous. $	Jan.-June	168,729	.....	41.5

*Coast Guard figures not included.
[2]Gross taxable income valued at time of shipment.
[3]Potted foliage grown for indoor or patio use.
[4]Includes cut flowers, cut orchids, lei flowers, cut foliage, other potted plants, unfinished flower and foliage stock, and other nursery products.
[5]Includes avocadoes, bananas, guavas, oranges, passion fruit, and tangerines.
[6]Includes snap beans, cabbage, celery, sweet corn, cucumbers, lettuce, onions, green peppers, tomatoes, and watermelons.
[7]Includes coffee, taro, feed and forage crops, and forest products.
[8]Includes broilers and chickens, turkeys, sheep, wool, horses, honey, and beeswax.

over-the-year jump of 17.0 percent. Westbound travelers (those coming from the Mainland, Canada, and Europe) reported a 14.8 percent gain from 1,090,000 in the January-April 1983 period to 1,251,605 for the same time span in 1984. The increases were a result of growth in the number of travelers from Canada, Japan, and from the East Coast and Midwest on the Mainland.

The record-breaking numbers appear to be the product of several factors. According to HVB, the improved national economy sparked the increased travel from the Midwest. Travelers from the East Coast were encouraged to visit Hawaii by low air fares which made Hawaii price-competitive with the Caribbean and Mexico. Aggressive promotional campaigns by the various sectors of the industry, primarily HVB, the Neighbor Islands, hotels, and airlines also contributed to the improved visitor counts.

However, there still remained some concern over the European market which has not developed as expected. The strength of the U.S. dollar has made currency exchange rates less favorable for Europeans, and therefore trips to Hawaii relatively more expensive. U.S. visitors have also been attracted to Europe because of the lower value of European currencies relative to the dollar.

Visitor traffic during April increased on all islands, although the Big Island lagged behind the others. In Maui County, the tourist count climbed 26.1 percent over-the-year, from 116,915 in April 1983 to 147,470 in April 1984. On Kauai, the number of visitors expanded by 19.2 percent from 46,195 to 55,060 during the Aprils of 1983 and 1984, respectively. On the Big Island, the count grew by a modest 4.5 percent from 48,180 in April 1983 to 50,320 in April 1984.

Hotel occupancy figures indicated that the tourism boom continued well into May. All the counties showed strong over-the-year gains in occupancy rates. Overall, the state average grew by 14.4 percent between May of 1983 and 1984. All counties showed double-digit increases: the Big Island reported a 32.9 percent improvement; Maui County 17.7 percent; Kauai County 14.4 percent; and Oahu 11.1 percent. This was even more impressive considering the addition of approximately 3,700 hotel rooms between the Februarys of 1983 and 1984.

Largely as a result of this expansion, overall business activity reported substantial growth. For the January to April period, state gross business receipts grew by 14.0 percent from $7.3 billion to $8.3 billion in 1984. The growth was relatively evenly distributed across the major sectors. Wholesaling activity increased by 16.8 percent, closely followed by the service sector which grew by 16.7 percent. Manufacturing showed a 13.0 percent gain. Retailing, which comprised over a third of all business activity, reported a 11.5 percent increase. Diversified agriculture receipts expanded by 10.2 percent.

Tax collections in the January-May 1984 period showed a 9.6 percent growth over the same period in 1983.

Increased business activity also translated into positive trends in most labor statistics. May's employment showed an over-the-

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC CONTRACTS AWARDED (continued)					
BY LEVEL OF GOVERNMENT					
FEDERAL	thous. $	Jan.-June	41,870	.....	199.7
STATE	thous. $	Jan.-June	96,486	.....	51.6
COUNTY	thous. $	Jan.-June	30,372	.....	−27.0
BY LOCATION OF PROJECT					
C&C of Honolulu	thous. $	Jan.-June	117,912	.....	21.3
Maui County	thous. $	Jan.-June	11,652	.....	62.5
Hawaii County	thous. $	Jan.-June	11,180	.....	−0.3
Kauai County	thous. $	Jan.-June	27,985	.....	671.8
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	June	347.4	−0.2	3.2
HIGH-RISE	1967 = 100	June	367.1	0.1	4.4
REAL ESTATE					
OAHU: New Sales					
Single Family	number	Jan.-May	688	.....	68.2
Condominium	number	Jan.-May	965	.....	−26.5
Resales					
Single Family	number	Jan.-May	621	.....	7.3
Average Price	dollars	Jan.-May	191,535	.....	2.5
Condominium	number	Jan.-May	879	.....	10.3
Average Price	dollars	Jan.-May	100,397	.....	−3.4
MAUI: Resales					
Single Family	number	Jan.-May	86	.....	13.2
Average Price	dollars	Jan.-May	154,641	.....	−4.4
Condominium	number	Jan.-May	173	.....	0.6
Average Price	dollars	Jan.-May	141,321	.....	−4.8
HAWAII: Resales					
Single Family	number	Jan.-May	125	.....	−24.2
Average Price	dollars	Jan.-May	85,066	.....	−15.3
Condominium	number	Jan.-May	39	.....	−26.4
Average Price	dollars	Jan.-May	93,244	.....	−20.0
KAUAI: Resales					
Single Family	number	Jan.-May	32	.....	113.3
Average Price	dollars	Jan.-May	142,492	.....	9.1
Condominium	number	Jan.-May	18	.....	100.0
Average Price	dollars	Jan.-May	134,050	.....	−16.3
BUSINESS SALES					
GROSS BUSINESS RECEIPTS	mil. $	Jan.-April	8,306	.....	14.0
DIVERSIFIED MANUFACTURING	mil. $	Jan.-April	187	.....	13.0
DIVERSIFIED AGRICULTURE	mil. $	Jan.-April	85	.....	10.2
RETAILING	mil. $	Jan.-April	2,935	.....	11.5
WHOLESALING	mil. $	Jan.-April	2,130	.....	16.8
SERVICES	mil. $	Jan.-April	1,935	.....	16.7
OAHU NEW CAR SALES	number	May	4,002	39.3	111.7
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	May	591	5.0	4.3
GAS SALES	th. therms.	May	4,085	−0.8	1.5
TELEPHONE LINES IN SERVICE	thous.	May	466	0.1	3.6
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX					
Urban Wage Earners and Clerical Workers (Revised), All Items	1967 = 100	April	289.0	1.7*	4.4
All Urban Consumers, All Items	1967 = 100	April	283.2	0.9*	3.8

*Compared to February, 1984.

Sources:

Tourism—Hawaii Visitors Bureau, Pannell, Kerr, Forster.

Defense—Reports from various branches of the armed forces.

Sugar—Hawaiian Sugar Planters' Association.

Pineapple—Hawaii State Department of Taxation, Hawaii State Department of Agriculture.

Diversified Agriculture—Hawaii State Department of Agriculture.

Construction—Hawaii State Department of Taxation, Honolulu County Building Department, Hawaii, Kauai, and Maui County departments of public works.

Real Estate—Monitor Hawaii, Inc. Locations Inc., First Hawaiian Bank, Research Department.

Business Sales—Hawaii State Department of Taxation, Cardinal Mailing Services, Ltd.

Public Utilities—Hawaiian Electric Company, Inc. Citizens Utilities Company, Molokai Electric Co., Ltd. Gasco, Inc. Hawaiian Telephone Company.

Honolulu Prices—U.S. Department of Labor, Bureau of Labor Statistics.

year growth rate of 1.9 percent. Unemployment, on the other hand, dropped by 13.1 percent between May of 1983 and 1984. Combined, these caused the unemployment rate to decrease by almost a full percentage point over the year. Statewide, the ratio fell from 6.4 percent to 5.5 percent.

The number of jobs in the State grew minimally over-the-month. The job count increased by 0.2 percent between April and May as 780 new jobs were added. However, the bulk of these were seasonal agricultural jobs. With the onset of the harvest season, pineapple, and to a lesser degree sugar and diversified agriculture companies added hundreds of temporary workers to their payrolls. On the negative side, state government reported its usual drop as the Legislature adjourned. Of a more permanent nature, hotel jobs increased with the opening of the 508-room Maile Court in Waikiki.

HAWAII'S DAIRY INDUSTRY

In recent years, the Hawaiian dairy industry has increasingly become the focus of frequent and often unfavorable public attention. The reasons have included disruptive union activity, the damaging effects of Hurricane Iwa, and the contamination of local milk supplies by the pesticide heptachlor. The latest controversy concerns the importation of mainland milk. After years of debate and legal wrangling, the State Board of Agriculture granted Safeway Stores a license this past May to import mainland milk, currently priced from 10 to 20 cents below local products. Questions have since been raised regarding the local dairy industry's ability to withstand this new source of competition.

At stake is an industry which in 1983 employed about 450 people in dairies and processing firms throughout the State, and prior to the depressing effect of the heptachlor problem on local milk consumption, generated over $30 million a year in sales. If one includes the indirect impacts of these activities, according to the State Department of Planning and Economic Development's (DPED) estimates, a total of 1,900 jobs and $33 million in household income in Hawaii is being supported by the dairy industry. The future of these jobs and income will hinge on the ability of the industry to adapt to the pressures of competition in a rapidly expanding dairy market.

Milk holds a place of distinction among the array of agricultural products now produced and consumed in Hawaii. Unlike most other commodities, practically all of the local demand for dairy products has long been supplied entirely by local farms. However, although the industry has been capable

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population and personal income in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
POPULATION					
DE FACTO—STATE	thous.	July 1, 1983	1,119	.....	2.9
TOTAL RESIDENT—STATE	thous.	July 1, 1983	1,023	.....	2.7
C&C of Honolulu	thous.	July 1, 1983	797	.....	2.6
Maui County	thous.	July 1, 1983	83	.....	3.4
Hawaii County	thous	July 1, 1983	101	.....	3.3
Kauai County	thous.	July 1, 1983	42	.....	2.0
CIVILIAN RESIDENT—STATE	thous.	July 1, 1983	964	.....	2.4
MILITARY PERSONNEL—STATE	number	July 1, 1983	59,021	.....	−3.4
Ashore	number	July 1, 1983	53,755	.....	−0.8
Afloat	number	July 1, 1983	5,266	.....	−23.9
CIVILIAN DEPENDENTS OF MILITARY	number	July 1, 1983	66,252	.....	−0.7
FOREIGN IMMIGRATION[1]	number	12 mo. total for period ending 6/84	5,442	.....	0.0
PERSONAL INCOME					
TOTAL PERSONAL INCOME[2]	mil. $	4th Qtr., 1983	12,651	2.2	7.1
Employment Income[3]	mil. $	4th Qtr., 1983	9,312	2.0	5.4
Manufacturing	mil. $	4th Qtr., 1983	455	0.4	3.4
Construction & Mining[4]	mil. $	4th Qtr., 1983	564	0.9	15.3
Wholesale	mil. $	4th Qtr., 1983	395	1.0	4.5
Retail	mil. $	4th Qtr., 1983	1,054	1.9	4.9
Finance, Ins. & Real Estate	mil. $	4th Qtr., 1983	606	1.5	8.4
Trans., Comm., & Util.	mil. $	4th Qtr., 1983	754	0.1	−6.1
Services	mil. $	4th Qtr., 1983	2,091	2.9	12.0
Farm & Other	mil. $	4th Qtr., 1983	349	4.2	13.7
Federal Civilian	mil. $	4th Qtr., 1983	846	−2.0	1.8
Federal Military	mil. $	4th Qtr., 1983	1,106	5.2	2.0
State & Local	mil. $	4th Qtr., 1983	1,093	3.0	1.5
Property Income (Dividends, Interest, Rent)	mil. $	4th Qtr., 1983	2,250	2.8	16.2
Transfer Payments (1,642) minus Personal Contributions For Social Ins. (579)	mil. $	4th Qtr., 1983	1,088	2.5	4.8
PER CAPITA PERSONAL INCOME					
STATE PER CAPITA	dollars	1982	11,602	.....	5.2
PER CAPITA BY COUNTY					
C&C of Honolulu	dollars	1981	11,553	.....	9.0
Maui County	dollars	1981	9,702	.....	7.2
Hawaii County	dollars	1981	8,728	.....	5.0
Kauai County	dollars	1981	9,132	.....	7.2

[2]Total personal income and all components are seasonally adjusted at annual rates.

[1]These immigration statistics include only those entering Honolulu ports and do not include status changes.

[3]Includes wage and salary disbursements, proprietors' income, and other labor income.

[4]Income from mining not shown separately to avoid disclosure of confidential information.

Sources:

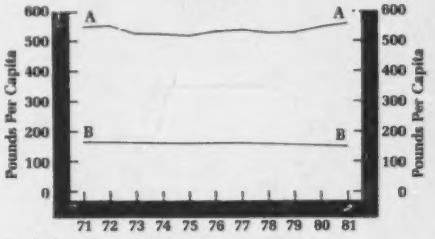
Population—Hawaii State Department of Planning and Economic Development, U.S. Bureau of the Census, U.S. Immigration and Naturalization Service.

Personal Income—U.S. Department of Commerce, Bureau of Economic Analysis.

of meeting changes in demand over time, growth in the industry has been minimal.

In 1971, Hawaii's per capita utilization of milk products stood at 164.3 pounds a year, less than a third of the national per capita average of 548.7 pounds per year. By 1981, Hawaii's per capita utilization fell by 8 percent to 150.8 pounds per year, while the U. S. average grew by 2 percent to 558.4 pounds per year (see Figure 2).

FIGURE 2
PER CAPITA UTILIZATION OF MILK PRODUCTS*
HAWAII AND U.S.
1971-1981



A. U.S.
B. Hawaii

Source: U.S. Department of Agriculture

***Note: Includes all milk sold as fluid milk as well as processed as milk products.**

The data on total milk production tell a similar story. Over the ten-year period between 1971 and 1981, local milk production grew by 13 percent, from 133 million pounds in 1971 to 150 million pounds in 1981. However, this rate of increase was far short of the expansion in the state's population during that period of over 20 percent.

Thus, gains in the consumption of milk products appear to have been achieved by an increase in the number of consumers who individually, on average, are consuming less milk.

Because growth in the industry has been insufficient to justify significant expansion in new capital investment, the industry has had to accomodate marginal increases in demand by raising productivity from existing inputs such as land, labor, dairy cattle, and cattle feed. In this regard, several factors come into play.

First, as is true for most diversified agricultural activities, appropriate and reasonably priced land for dairy operations is limited. Many dairies now operate on leasehold land that rises in cost with each lease renegotiation. If more land for livestock and forage crop production were available, industry operations could become more cost effective. That, however, is not the case.

HAWAIIAN BANK
D.I.C.

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employment and unemployment in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
EMPLOYMENT IN STATE AND COUNTIES (number of persons)					
STATE					
Civilian Labor Force	thous.	May	477.7p	0.5	0.9
Employment	thous.	May	451.3p	0.4	1.9
Unemployment	thous.	May	26.5p	3.5	−13.1
Unemployment Rate	percent	May	5.5p	1.9	−14.1
C & C OF HONOLULU					
Civilian Labor Force	thous.	May	366.1p	0.5	1.4
Employment	thous.	May	348.0p	0.3	2.3
Unemployment	thous.	May	18.1p	4.6	−13.4
Unemployment Rate	percent	May	5.0p	6.4	−13.8
MAUI COUNTY					
Civilian Labor Force	thous.	May	43.1p	−0.5	−0.9
Employment	thous.	May	40.4p	0.0	0.7
Unemployment	thous.	May	2.7p	−6.9	−18.2
Unemployment Rate	percent	May	6.3p	−4.5	−18.2
HAWAII COUNTY					
Civilian Labor Force	thous.	May	46.6p	0.9	−0.2
Employment	thous.	May	42.6p	0.7	0.9
Unemployment	thous.	May	4.0p	2.6	−11.1
Unemployment Rate	percent	May	8.6p	0.0	−11.3
KAUAI COUNTY					
Civilian Labor Force	thous.	May	21.9p	0.9	−0.9
Employment	thous.	May	20.3p	0.5	−1.0
Unemployment	thous.	May	1.5p	0.0	−11.8
Unemployment Rate	percent	May	7.1p	0.0	−5.3
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	May	446.6p	0.2	0.6
SUGAR (mill and field)	thous.	May	8.1p	1.3	−3.0
PINEAPPLE (cannery and field)	thous.	May	4.1p	10.8	−13.7
DIVERSIFIED MANUFACTURING (excluding sugar and pineapple)	thous.	May	15.7p	−1.3	0.3
Durable Goods	thous.	May	3.5p	0.0	−2.7
Non-Durable Goods	thous.	May	12.1p	−2.0	1.3
Apparel and Textiles	thous.	May	2.9p	0.0	3.6
DIVERSIFIED AGRICULTURE (excluding sugar and pineapple, but including agricultural self-employed)	thous.	May	7.8p	4.0	0.0
CONTRACT CONSTRUCTION	thous.	May	16.8p	−0.6	−6.1
TRANSPORTATION	thous.	May	21.1p	−0.5	1.0
COMMUNICATION	thous.	May	7.4p	0.0	−2.0
UTILITIES	thous.	May	2.4p	0.0	0.0
RETAIL TRADE	thous.	May	89.1p	−0.3	3.5
WHOLESALE TRADE	thous.	May	18.3p	0.6	0.3
FINANCE, INSURANCE AND REAL ESTATE	thous.	May	30.8p	−0.2	−3.1
HOTEL SERVICES—STATE	thous.	May	27.9p	0.9	3.7
Honolulu County	thous.	May	15.7p	1.3	5.7
Maui County	thous.	May	6.3p	0.8	2.4
Hawaii County	thous.	May	3.5p	−1.4	−4.1
Kauai County	thous.	May	2.3p	2.2	4.4
OTHER SERVICES	thous.	May	77.9p	0.2	1.8
FEDERAL GOVERNMENT	thous.	May	31.9p	1.1	−1.1
Civilian Agencies	thous.	May	11.2p	0.9	0.0
Defense Department	thous.	May	20.7p	1.2	−1.7
STATE GOVERNMENT	thous.	May	48.1p	−0.4	0.2
COUNTY GOVERNMENT	thous.	May	12.6p	0.0	0.8
UNEMPLOYMENT INSURANCE CLAIMS AND PAYMENTS					
INSURED UNEMPLOYMENT (weekly average)	number	May	11,142	−11.1	−37.3
INTRASTATE INITIAL CLAIMS	number	May	5,961	5.8	0.7
INTERSTATE INITIAL CLAIMS	number	May	331	12.6	−10.3
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	May	5,945	−6.3	−27.5

p = preliminary.

Sources:
Employment, Job Count, and Unemployment Insurance—Hawaii State Department of Labor and Industrial Relations.

Second, Hawaii's dairy industry has been subject to considerable union activity. This has affected wage and price levels, and may also affect the industry's ability to adjust to the new competition within the industry. The industry has also found it increasingly difficult to find qualified and interested persons to work on dairies.

Third, dairies in Hawaii must import expensive feed for dairy cows. Feed prices paid by local dairies are about 20 to 25 percent higher than on the mainland. Although green chop from pineapple plants are now used to supplement the diet of dairy cattle, this cannot fully substitute for the more nutritious, but expensive, dairy feed. In addition, the scarcity of suitable agricultural land in Hawaii makes the growing of local dairy feed prohibitively expensive.

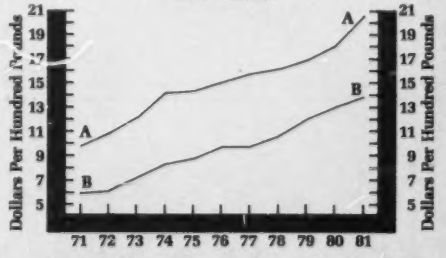
Finally, the balmy, tropical climate that makes Hawaii an attractive resort destination unfortunately also results in low reproduction rates among dairy cattle—about 20 percent lower than mainland cattle. Dairies must therefore import replacement animals. This jacks the cost of dairy operations up another notch.

Despite these hurdles, some productivity gains have been achieved. Over the last decade, the annual milk yield per cow rose 14 percent, from 10,391 pounds of milk per cow in 1971 to 11,811 pounds in 1981. However, the nation's dairy farms have done substantially better, improving their yields 26 percent, from 9,609 pounds of milk per cow in 1971 to 12,147 pounds in 1981.

Even with these gains in productivity, however, milk prices have continued to remain high relative to the mainland. In 1971, the price of milk sold directly from the dairies was $9.79 per 100 pounds, 67 percent higher than the U. S. average of $5.87 per 100 pounds. By 1981, Hawaii's prices had attained the dubious distinction of being the highest in the nation, topping even Alaska's prices at $20.50 per 100 pounds, 48.6 percent above the national average of $13.87.

Because of these higher prices, Hawaii's dairy revenues climbed by 130 percent between 1971 and 1981, from $13.2 million to $30.3 million. It is these higher prices, however, that have also made the local dairy industry vulnerable to less expensive mainland milk (see Figure 3).

FIGURE 3
MILK PRICES
HAWAII AND U.S.
1971-1981



A. Hawaii
B. U.S.
Source: U.S. Department of Agriculture

public assistance in hawaii

Series	Unit	Period	Number	Percent Change from preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
RECIPIENTS[1]					
Income Maintenance	no./persons	April	62,417	−0.6	−3.0
Services	no./cases	1st Qtr.	6,927	1.4	2.9
Medical	no./patients	June	51,093	5.6	−12.0
Food Stamps	no./persons	April	99,846	−0.3	−3.1
PAYMENTS					
Income Maintenance	thous. $	April	8,651	−1.3	−3.8
Services	thous. $	1st Qtr.	3,784	4.2	6.3
Medical	thous. $	June	15,122	15.1	−14.5
Food Stamps	thous. $	April	6,612	−1.7	−2.8

[1]Count of recipients is duplicated. A person may be counted in each category.

Sources:
Public Assistance—Hawaii State Department of Social Services and Housing.

banking and finance in hawaii

FINANCE					
COMMERCIAL BANKS					
Total Deposits					
STATE	mil. $	May	6,332	1.1	15.1
Honolulu County	mil. $	May	5,230	1.0	15.3
Maui County	mil. $	May	414	4.4	20.8
Hawaii County	mil. $	May	461	−0.1	12.3
Kauai County	mil. $	May	225	0.6	5.0
Debits to Demand Deposits					
STATE	mil. $	May	7,910	6.0	9.5
Honolulu County	mil. $	May	7,243	6.3	8.9
Maui County	mil. $	May	293	6.4	21.1
Hawaii County	mil. $	May	265	0.3	14.7
Kauai County	mil. $	May	110	−0.2	7.0
Loans Outstanding	mil. $	1st Qtr., 1984	3,866	n.a.	n.a.
Real estate	mil. $	1st Qtr., 1984	1,644	−0.5	2.5
Consumer	mil. $	1st Qtr., 1984	850	−0.4	7.3
Commercial & Industrial	mil. $	1st Qtr., 1984	1,065	−7.5	0.3
Other	mil. $	1st Qtr., 1984	306	n.a.	n.a.
SAVINGS & LOAN ASSOCIATIONS[1]					
Total Deposits	mil. $	April	3,803	−0.4	8.1
Loans	mil. $	April	56	45.0	−14.7
Residential	mil. $	April	29	59.7	−41.0
Other	mil. $	April	27	32.1	62.3
STATE TAX COLLECTIONS[2]					
TAX COLLECTIONS—STATE	thous. $	Jan.-May	567,039	.....	9.6
Honolulu County	thous. $	Jan.-May	496,760	.....	10.0
Maui County	thous. $	Jan.-May	30,216	.....	3.6
Hawaii County	thous. $	Jan.-May	29,253	.....	15.6
Kauai County	thous. $	Jan.-May	10,809	.....	−2.2

na = not available due to changes in reporting forms.
[1]Includes data for both Hawaii and Guam.
[2]Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

Sources:
Finance—Hawaii State Department of Commerce and Consumer Affairs. Federal Deposit Insurance Corporation reports. Federal Home Loan Bank of Seattle.
State Tax Collections—Hawaii State Department of Taxation.

This seemingly rosy portrait of the local dairy industry faded in recent years. In 1982, heptachlor contamination was discovered in island milk supplies due to improperly treated pineapple green chop fed to dairy cattle. Milk sales tumbled, 28 percent in one year from $30.3 million to $21.9 million. Although the data for 1983 are not yet available, indications are that the industry continues to experience depressed sales as the residue of the heptachlor problem continues to taint consumers' taste for milk.

In the wake of the recent decision to permit the importation of mainland milk, the future of the Hawaii dairy industry has become a matter of considerable speculation. To remain competitive in today's new market, it becomes even more important that progress be made in addressing the industry's most serious problems. In the 1981 Dairy Action Plan of the Governor's Agriculture Coordinating Committee, several specific issues requiring attention were identified, including: (1) obtaining high-quality, reasonably-priced dairy feed; (2) raising reproduction rates in local dairy cattle; and (3) improving the processing, distribution, and marketing system to ensure accurate pricing and to encourage higher consumption. If these issues are successfully resolved, Hawaii's high dairy production costs and prices may be reduced, and the trend of falling per-capita consumption of milk may be reversed.

In a June, 1983 report, the DPED explored the potential economic consequences of mainland milk importation. They estimated that the overall savings to consumers from buying lower-priced mainland milk would be substantially less than the economic loss to the State in terms of jobs and income which would be incurred by the local dairy industry. More specifically, if all of Hawaii's milk demand were to be supplied by mainland milk, the savings to consumers would total about $7.2 million, which would recirculate throughout the economy as over $11 million of disposable income. In comparison, the loss to the economy from the complete termination of the dairy industry would be about 1,900 jobs and $33 million in household income.

These findings are difficult to interpret since the analysis is based on a worst-case scenario in which mainland milk producers completely capture the local milk market, an unlikely prospect. Also, the calculation assumes that dairy employees laid off because of the loss of sales would not be reemployed in other sectors of the State's economy. Still, the analysis is informative in its finding that the Hawaiian economy may indeed be hurt by the loss of milk sales to mainland producers. How much will depend on factors such as the degree to which imported milk captures the local market, the ease with which labor and capital displaced by the sale of imported milk can be shifted to other activities, and the progress that can be achieved in lowering the high costs of Hawaii's dairy production and further boosting the productivity of the industry.

ECONOMIC INDICATORS

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The Potential For Hawaii's Aquaculture Industry

One of the State's major strategies for economic diversification is the development of the aquaculture industry in Hawaii. According to the recently released report of the Governor's Aquaculture Industry Development Committee, the potential for aquaculture development in the Islands is strong. However, realization of this potential will require both prompt action and long-term cooperative commitment by the public and private sectors.

The report summarizes the current status of the industry, and notes that, despite occasional setbacks, aquaculture has experienced promising growth. Forty-three commercial aquaculture firms reached $2.6 million in wholesale revenues in 1982, but fell back to $1.6 million in 1983. Research, training, and technology-related projects, valued at $3.6 million in project value (exclusive of state funds) in 1982, rose to $5.6 million in 1983.

At present, aquaculture development in Hawaii enjoys a worldwide reputation due to excellent research and effective international consulting. However, several key issues in aquaculture need to be addressed, including: (1) Management; (2) Technology and Knowledge; (3) Marketing and Economics; (4) Water and Land; and (5) Government Activities.

In the area of management, the report recommends that management skills be upgraded and management information be increased by expanding extension capabilities and programs in general business management for aquafarmers, as well as developing more practical farm management tools, and organizing a statewide aquaculture association.

To maximize the impact of limited financial resources, the report recommends that industry-development programs emphasize marine species with strong market potential (e.g. marine shrimp, red tilapia, and freshwater prawns), the development of commercial-scale, not subsistence-level, activities, and the development of medium- and high-intensity commercial operations with selected use of Hawaiian fishponds. The report also recommends that inventory control and harvesting technology be improved, as well as management techniques for Hawaiian fishponds. Other recommendations include the development of new sources of stocking material, and the establishment of a virus-free marine shrimp broodstock. Further, Hawaii's movement towards becoming a world center for aquaculture research could be accelerated by holding workshops, and by establishing a large-scale aquaculture research, education, training, and demonstration facility.

The report then considers marketing, the availability of investment capital, and the cost of doing business: three crucial issues in commercial aquaculture. In terms of marketing, one major constraint to market expansion is inconsistent, unpredictable production. Recommendations to improve productivity include forming a marketing cooperative, while adjusting farm operations to suit the needs of customers. Local and export markets could be developed by concentrating on import substitution, developing unique markets for local aquaculture products, and initiating joint State and private-sector promotional campaigns for aquaculture products.

Investment capital for aquaculture has been traditionally hard to obtain because of perceived limitations in the industry's track record, financial data, and supply of skilled labor. Recommendations include collecting necessary financial information, providing assistance to investors in securing high-risk capital, and improving the State Aquaculture Revolving Loan Fund.

The Committee also addresssed factors leading to the industry's high operating costs. Recommendations include reducing government red-tape, reducing the cost of the Workers' Compensation Program, and lowering production costs and raising farm yields.

Regarding water and land resource issues, the Committee saw the need to accommodate aquaculture in water resource planning and management, and to emphasize the recycling and multiple use of fresh water in aquaculture. Hawaii's brackish and saltwater aquifers could also be beneficially utilized by accepting aquaculture as a permitted use. Suitable sites could also be made available, possibly through a statewide aquaculture park program.

In the area of government policies, communication and coordination between the industry and all levels of government could be improved by providing a forum, such as an industry council, to discuss currrent development issues. Government could also assist by working to reduce the industry's start-up costs through the use of tax and other forms of investment incentives. The State Aquaculture Development Plan should also be updated.

The report concludes that the aquaculture industry can readily exploit Hawaii's advantages by sustaining a wide range of production levels and producing a variety of products and services. The industry can also utilize abundant Island resources such as brackish and salt water, and agricultural wastes and lava lands. If existing constraints are successfully handled and sufficient investment capital secured, commercial aquaculture production could top $50 million a year, and research activity attract over $10 million a year by 1990. However, realizing this potential depends on the willingness and ability of decisionmakers in government, business, and labor to tackle the problems that now confront the industry.